Financial Statements

Magazine Luiza S.A.

December 31, 2014 and 2013
with Independent Auditor's Report

Magazine Luiza S.A.

Financial Statements

December 31, 2014

Contents

Independent auditor’s report on financial statements 1

Statement of financial position 3
Statement of income 5
Statement of comprehensive income 6
Statement of changes in equity.. 7
Statement of cash flows 8
Statement of value added 10
Notes to interim financial information 11

Condomínio São Luiz
Av. Presidente Juscelino Kubitschek, 1830
Torre I - 8º Andar - Itaim Bibi
04543-900 - São Paulo - SP - Brasil

Tel.: (5511) 2573-3000
ey.com.br

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

Independent auditor's report on financial statements

To the Management and Shareholders
Magazine Luiza S.A.
São Paulo - SP

We have audited the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet (statement of financial position) as of December 31, 2014 and the related statements of income, comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting practices, including the notes to the financial statements.

Management's responsibility over the financial statements

The Company's management is responsible for the preparation and fair presentation of the individual and consolidated interim financial information in accordance with the accounting practices adopted in Brazil, and pursuant to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB, as well as for the internal controls management deemed necessary to allow the preparation of the financial statements free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the abovementioned individual and consolidated financial statements present fairly, in all material respects, the financial position of Magazine Luiza S.A. (individual and consolidated) at December 31, 2014, the individual and consolidated performance of its operations and the related cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (SVA) for the year ended December 31, 2014, prepared under the management's responsibility, the presentation of which in the financial statements is required by the Brazilian corporation laws for listed companies, and considered as supplementary information under the IFRS, which does not require the presentation of an SVA. These statements were subject to the same procedures described above and, based on our audit, they are fairly prepared, in all material respects, consistently with the overall individual and consolidated financial statements.

São Paulo, February 25, 2015.

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

Alexandre Rubio
Accountant CRC-1SP223361/O-2

Magazine Luiza S.A.

Statement of financial position
At December 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	**2014**	**2013**	**2014**	**2013**
Assets					
Current assets					
Cash and cash equivalents	6	**391,763**	278,006	**412,170**	280,306
Securities	7	**450,979**	477,210	**450,979**	491,288
Trade receivables	8	**616,585**	529,922	**618,276**	530,620
Inventories	9	**1,465,553**	1,247,205	**1,472,738**	1,251,362
Related parties	10	**93,895**	109,474	**93,220**	108,895
Taxes recoverable	11	**295,205**	218,554	**295,595**	218,554
Other assets		**51,389**	39,872	**52,944**	40,965
Total current assets		**3,365,369**	2,900,243	**3,395,922**	2,921,990
Noncurrent assets					
Trade receivables	8	**5,020**	4,683	**5,020**	4,683
Taxes recoverable	11	**106,477**	158,761	**106,477**	158,761
Deferred income tax and social contribution	12	**145,436**	139,253	**146,447**	139,427
Escrow deposits	20	**209,648**	170,080	**209,648**	170,080
Other assets		**49,587**	43,858	**51,973**	45,402
Investments in subsidiaries	13	**44,793**	37,403	**-**	-
Investments in joint ventures	14	**319,604**	251,747	**319,604**	251,747
Property and equipment	15	**565,358**	539,729	**566,193**	540,444
Intangible assets	16	**446,080**	438,559	**488,753**	481,370
Total noncurrent assets		**1,892,003**	1,784,073	**1,894,115**	1,791,914
Total assets		**5,257,372**	4,684,316	**5,290,037**	4,713,904

		Company		Consolidated	
	Note	2014	2013	2014	2013
Liabilities and equity					
Current liabilities					
Trade payables	17	**1,784,902**	1,646,947	**1,789,898**	1,651,543
Borrowings and financing	18	**591,051**	424,989	**591,443**	425,227
Payroll, vacation pay and payroll charges		**164,739**	164,489	**167,423**	166,585
Taxes payable		**44,008**	40,971	**44,595**	41,664
Related parties	10	**80,525**	73,716	**80,305**	73,619
Taxes paid in installments		**6,504**	8,286	**6,504**	8,286
Deferred revenue	19	**37,734**	36,734	**37,734**	36,734
Dividends and interest on equity payable		**18,319**	16,219	**18,319**	16,219
Other payables		**92,848**	106,631	**95,227**	107,714
Total current liabilities		**2,820,630**	2,518,982	**2,831,448**	2,527,591
Noncurrent liabilities					
Borrowings and financing	18	**1,120,184**	895,053	**1,120,184**	895,053
Provision for tax, civil and labor contingencies	20	**246,225**	226,446	**265,691**	245,882
Deferred revenue	19	**315,866**	349,224	**315,866**	349,224
Other payables		**-**	-	**2,381**	1,543
Total noncurrent liabilities		**1,682,275**	1,470,723	**1,704,122**	1,491,702
Total liabilities		**4,502,905**	3,989,705	**4,535,570**	4,019,293
Equity	21				
Capital stock		**606,505**	606,505	**606,505**	606,505
Capital reserve		**10,103**	5,640	**10,103**	5,640
Treasury shares		**(20,195)**	(20,063)	**(20,195)**	(20,063)
Legal reserve		**16,143**	9,715	**16,143**	9,715
Profit retention reserve		**143,173**	94,458	**143,173**	94,458
Other comprehensive income		**(1,262)**	(1,644)	**(1,262)**	(1,644)
Total equity		**754,467**	694,611	**754,467**	694,611
Total liabilities and equity		**5,257,372**	4,684,316	**5,290,037**	4,713,904

See accompanying notes.

Magazine Luiza S.A.

Statement of income
Years ended December 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	2014	2013	2014	2013
Net sales revenue	22	**9,692,286**	8,034,985	**9,779,385**	8,088,439
Costs of goods resold and services rendered	23	**(7,066,328)**	(5,817,669)	**(7,086,909)**	(5,825,444)
Gross profit		**2,625,958**	2,217,316	**2,692,476**	2,262,995
Operating income (expenses)					
Selling	24	**(1,737,443)**	(1,512,685)	**(1,746,258)**	(1,513,769)
General and administrative	24	**(417,997)**	(385,391)	**(442,550)**	(403,722)
Doubtful account losses		**(22,547)**	(21,212)	**(22,547)**	(21,212)
Depreciation and amortization		**(113,896)**	(101,634)	**(114,332)**	(101,958)
Equity in the earnings (losses) of subsidiaries	13 and 14	**102,010**	57,133	**99,620**	54,464
Other operating income, net	24 and 25	**24,514**	98,051	**24,519**	98,168
		(2,165,359)	(1,865,738)	**(2,201,548)**	(1,888,029)
Operating profit before financial result		**460,599**	351,578	**490,928**	374,966
Finance income		**124,982**	90,797	**96,469**	69,398
Finance expenses		**(456,548)**	(313,173)	**(457,211)**	(313,360)
Financial result	26	**(331,566)**	(222,376)	**(360,742)**	(243,962)
Operating income (loss) before income tax and social contribution		**129,033**	129,202	**130,186**	131,004
Current and deferred income tax and social contribution	12	**(477)**	(15,396)	**(1,630)**	(17,198)
Net income for the period		**128,556**	113,806	**128,556**	113,806
Net income attributable to:					
Owners of the Company		**128,556**	113,806	**128,556**	113,806
Earnings per share					
Basic and diluted (R$ per share)		**0.70**	0.61	**0.70**	0.61

See accompanying notes.

Magazine Luiza S.A.

Statement of comprehensive income
Years ended December 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Note	Company and Consolidated 2014	2013
Net income for the year		**128,556**	113,806
Other comprehensive income deriving from previous years:			
Available-for-sale financial assets deriving from investments			
Available-for-sale financial assets		**(2,740)**	135
Tax effect		**1,096**	(54)
Total		**(1,644)**	81
Other comprehensive income:			
Available-for-sale financial assets deriving from investments			
Available-for-sale financial assets		**637**	(2,875)
Tax effect		**(255)**	1,150
Total	14	**382**	(1,725)
Statement of comprehensive income		**(1,262)**	(1,644)
Total other comprehensive income for the period, net of taxes		**127,294**	112,162
Attributable to:			
Controlling shareholders		**127,294**	112,162

See accompanying notes.

Magazine Luiza S.A.

Statement of changes in equity
Years ended December 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Note	Capital stock	Capital reserve	Treasury shares	Legal reserve	Profit retention reserve	Net income for the year	Other comprehensive income	Total
Balances at December 31, 2012		606,505	2,820	-	4,025	2,561	-	81	615,992
Stock option plan		-	2,820	-	-	-	-	-	2,820
Treasury shares				(20,063)					(20,063)
Net income for the year		-	-	-	-	-	113,806	-	113,806
Allocations:									
Legal reserve		-	-	-	5,690	-	(5,690)		-
Profit retention reserve		-	-	-	-	91,897	(91,897)		-
Interest on equity		-	-	-	-	-	(12,000)		(12,000)
Mandatory dividends		-	-	-	-	-	(4,219)		(4,219)
		606,505	5,640	(20,063)	9,715	94,458	-	81	696,336
Other comprehensive income:									
Financial instruments adjustment	14	-	-	-	-	-	-	(1,725)	(1,725)
Balances at December 31, 2013		**606,505**	**5,640**	**(20,063)**	**9,715**	**94,458**	**-**	**(1,644)**	**694,611**
Stock option plan		**-**	**4,463**	**-**	**-**	**-**	**-**	**-**	**4,463**
Treasury shares		**-**	**-**	**(39,959)**	**-**	**-**	**-**	**-**	**(39,959)**
Cancellation of treasury shares	21	**-**	**-**	**39,827**	**-**	**(39,827)**	**-**	**-**	**-**
Additional dividends proposed for the year of 2013	21	**-**	**-**	**-**	**-**	**(15,267)**	**-**	**-**	**(15,267)**
Net income for the year		**-**	**-**	**-**	**-**	**-**	**128,556**	**-**	**128,556**
Allocations:									
Legal reserve	21	**-**	**-**	**-**	**6,428**	**-**	**(6,428)**	**-**	**-**
Profit retention reserve	21	**-**	**-**	**-**	**-**	**103,809**	**(103,809)**	**-**	**-**
Interest on equity	21	**-**	**-**	**-**	**-**	**-**	**(14,000)**	**-**	**(14,000)**
Mandatory dividends	21	**-**	**-**	**-**	**-**	**-**	**(4,319)**	**-**	**(4,319)**
		606,505	**10,103**	**(20,195)**	**16,143**	**143,173**	**-**	**(1,644)**	**754,085**
Other comprehensive income:									
Financial instruments adjustment	14	**-**	**-**	**-**	**-**	**-**	**-**	**382**	**382**
Balances at December 31, 2014		**606,505**	**10,103**	**(20,195)**	**16,143**	**143,173**	**-**	**(1,262)**	**754,467**

See accompanying notes.

Magazine Luiza S.A.

Statement of cash flows
Years ended December 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	2014	2013	2014	2013
Cash flow from operating activities					
Net income for the year		**128,556**	113,806	**128,556**	113,806
Adjustments to reconcile profit for the year to cash generated from operating activities:					
Income tax and social contribution expenses recognized in P&L	12	**477**	15,396	**1,630**	17,198
Depreciation and amortization		**113,896**	101,634	**114,332**	101,958
Interest rate accrued over borrowings and financing		**166,545**	118,642	**166,545**	118,686
Yield on securities		**(30,692)**	(24,525)	**(31,015)**	(25,454)
Equity in the earnings (losses) of subsidiaries	13 and 14	**(102,010)**	(57,133)	**(99,620)**	(54,464)
Changes in allowance for asset losses		**80,217**	76,136	**80,217**	76,136
Provision for tax, civil and labor contingencies	20	**52,355**	60,278	**52,537**	59,861
Write-off of property and equipment, net of gains from sale	25	**1,229**	(125,424)	**1,229**	(125,424)
Appropriation of deferred revenue	25	**(35,358)**	(32,314)	**(35,358)**	(32,314)
Stock option plan expenses		**4,463**	2,820	**4,463**	2,820
Interests on taxes paid with tax losses		-	10,132	-	10,132
Adjusted net income for the year		**379,678**	259,448	**383,516**	262,941
(Increase) decrease in operating assets:					
Receivables		**(148,247)**	(97,989)	**(149,240)**	(96,448)
Securities		**-**	-	**71,324**	(339,449)
Inventories		**(237,318)**	(204,323)	**(240,346)**	(205,872)
Related parties		**4,027**	(22,650)	**4,123**	(22,788)
Taxes recoverable		**(22,809)**	(18,721)	**(23,199)**	(17,775)
Other assets		**(53,842)**	(47,842)	**(55,146)**	(49,038)
Changes in operating assets		**(458,189)**	(391,525)	**(392,484)**	(731,370)
Increase (decrease) in operating liabilities:					
Trade payables		**137,955**	320,955	**138,355**	322,644
Payroll, vacation pay and related charges		**250**	27,903	**838**	27,968
Taxes payable		**(3,623)**	(23,453)	**(3,734)**	(24,698)
Related parties		**6,809**	22,425	**6,686**	22,328
Tax paid in installments		**(1,782)**	(2,625)	**(1,782)**	(2,625)
Other payables		**(42,094)**	(12,199)	**(40,112)**	(11,157)
Changes in operating liabilities		**97,515**	333,006	**100,251**	334,460
Income tax and social contribution paid		**(1,558)**	(12,739)	**(3,543)**	(13,672)
Dividends received from subsidiaries		**45,797**	13,404	**43,697**	11,404
Cash flow deriving from (used) in operating activities		**63,243**	201,594	**131,437**	(136,237)

Magazine Luiza S.A.

Statement of cash flows (Continued)
Years ended December 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	2014	2013	2014	2013
Cash flows from investing activities					
Purchase of property and equipment	15	**(106,255)**	(111,399)	**(106,590)**	(111,546)
Purchase of intangible assets	16	**(44,992)**	(34,404)	**(45,075)**	(34,584)
Investments in exclusive investment fund		**(1,448,493)**	(2,246,759)	**-**	-
Redemptions from exclusive investment fund		**1,505,416**	1,920,459	**-**	-
Property and equipment sale receivable		**-**	205,461	**-**	205,461
Sale of exclusive dealing agreement and exploration right		**3,000**	6,000	**3,000**	6,000
Advance for future capital increase (AFAC) in subsidiary		**(7,100)**	-	**-**	-
Investment in subsidiary (payment to former quotaholders of Época Cosméticos)		**(4,265)**	(12,462)	**(4,265)**	(12,172)
Cash flow (used in) deriving from investing activities		**(102,689)**	(273,104)	**(152,930)**	53,159
Cash flow from financing activities					
Borrowings and financing		**641,187**	411,585	**641,724**	411,585
Payment of borrowings and financing		**(258,953)**	(345,566)	**(259,336)**	(346,434)
Repayment of interest on borrowings and financing		**(157,586)**	(100,583)	**(157,586)**	(100,583)
Payment of dividends		**(31,486)**	-	**(31,486)**	-
Treasury shares acquired		**(39,959)**	(20,063)	**(39,959)**	(20,063)
Cash flow deriving from (used in) financing activities		**153,203**	(54,627)	**153,357**	(55,495)
Increase (decrease) in cash and cash equivalents		**113,757**	(126,137)	**131,864**	(138,573)
Cash and cash equivalents at the beginning of the year		**278,006**	404,143	**280,306**	418,879
Cash and cash equivalents at the end of the year		**391,763**	278,006	**412,170**	280,306
Increase (decrease) in cash and cash equivalents		**113,757**	(126,137)	**131,864**	(138,573)

See accompanying notes.

Magazine Luiza S.A.

Statement of value added
Years ended December 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Company		Consolidated	
	2014	2013	2014	2013
Revenue				
Goods and products sold and services rendered	**10,870,422**	9,100,323	**10,962,734**	9,157,276
Allowance for doubtful accounts, net of reversals	**(22,547)**	(21,212)	**(22,547)**	(21,212)
Other operating revenue	**29,709**	111,576	**29,698**	111,623
	10,877,584	9,190,687	**10,969,885**	9,247,687
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	**(7,795,715)**	(6,401,247)	**(7,816,392)**	(6,409,093)
Material, electricity, outsourced services and other	**(837,912)**	(688,062)	**(857,507)**	(695,961)
Impairment of assets	**(21,070)**	(18,516)	**(21,070)**	(18,516)
	(8,654,697)	(7,107,825)	**(8,694,969)**	(7,123,570)
Gross value added	**2,222,887**	2,082,862	**2,274,916**	2,124,117
Depreciation and amortization	**(113,896)**	(101,634)	**(114,332)**	(101,958)
Net value added generated by the entity	**2,108,991**	1,981,228	**2,160,584**	2,022,159
Value added received through transfer				
Equity in the earnings of subsidiaries	**102,010**	57,133	**99,620**	54,464
Finance income	**124,982**	90,797	**96,469**	69,398
Total value added to distribute	**2,335,983**	2,129,158	**2,356,673**	2,146,021
Distribution of value added				
Personnel and charges:				
Direct compensation	**776,480**	700,886	**786,038**	708,813
Benefits	**159,234**	150,520	**160,152**	151,265
Government Severance Indemnity Fund for Employees (FGTS)	**70,268**	63,997	**71,107**	64,663
	1,005,982	915,403	**1,017,297**	924,741
Taxes, fees and contributions::				
Federal	**127,162**	223,715	**132,874**	229,609
State	**315,141**	302,413	**316,489**	302,470
Municipal	**37,496**	29,748	**38,713**	30,843
	479,799	555,876	**488,076**	562,922
Value distributed to providers of capital:				
Interest	**404,012**	267,761	**404,562**	267,737
Rentals	**265,098**	230,899	**265,533**	231,210
Other	**52,536**	45,413	**52,649**	45,605
	721,646	544,073	**722,744**	544,552
Value distributed to shareholders:				
Interest on equity	**14,000**	12,000	**14,000**	12,000
Dividends	**4,319**	4,219	**4,319**	4,219
Retained earnings	**110,237**	97,587	**110,237**	97,587
	2,335,983	2,129,158	**2,356,673**	2,146,021

See accompanying notes.

1. Operations

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

At December 31, 2014, the Company and its subsidiaries owned 756 stores (744 stores in 2013) and eight distribution centers (eight distribution centers in 2013), 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 financial statements were approved and their publication was authorized by the Board of Directors on February 25, 2015.

2. Presentation and preparation of the financial statements

2.1. Basis of preparation and presentation

The financial statements of the Company consist of:

a) Consolidated financial statements

The Company’s consolidated financial statements were prepared based on the International Financial Reporting 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 Brazilian Accounting Pronouncements Committee (“CPC”) and its technical interpretations (“ICPC”) and guidance (“OCPC”), approved by the Brazilian Securities and Exchange Commission (“CVM”).

b) Parent Company Financial Statements

The parent company financial statements were prepared pursuant the accounting practices adopted in Brazil, which include the provisions of the Brazilian Corporation Law provided for in Law No. 6404/76 with amendments to Law No. 11638/07 and Law No. 11941/09, and the accounting pronouncements, interpretations and guidance issued by the Brazilian Accounting Pronouncements Committee (“CPC”), approved by the Brazilian Securities and Exchange Commission (“CVM”). Until December 31, 2013, these practices diverged from IFRS, applicable to the separate financial statements, only with respect to the measurement of investments in subsidiaries, associated companies and joint ventures by the equity accounting method, while for IFRS purposes, this would be at cost or fair value.

(Amounts in thousands of Brazilian reais - R$)

2. Presentation and preparation of the financial statements (Continued)

2.1. Basis of preparation and presentation (Continued)

b) Parent Company Financial Statements (Continued)

Upon issue of pronouncement IAS 27 (Separate Financial Statements) revised by IASB in 2014, the separate financial instruments under the IFRS now authorize the adoption of the equity accounting method to measure investments in subsidiaries, associated companies and joint ventures. In December 2014, CVM issued the Resolution no. 733/2014, which approved the Revision Document of Technical Pronouncements no. 07, referring to Pronouncements CPC 18, CPC 35 and CPC 37 issued by the Brazilian Accounting Pronouncements Committee, mentioning said revision of IAS 27, and authorizing its adoption as of the years ended December 31, 2014. Therefore, the parent company's financial statements are now in compliance with the IFRS as of this year.

The financial statements were prepared based on the historical cost, except for certain financial instruments measured by their fair values and business combination. Non-financial data included in these financial statements, such as number of stores and distribution centers, among others, were not in the audit scope of our independent auditors.

2.2. Basis of consolidation and investments in subsidiaries

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries. The control is obtained when the Group is exposed or is entitled to variable returns based on its involvement with the investee and has the capacity to affect these returns through its power over the investee.

Below is a description of the Company's subsidiaries at year-end:

Subsidiary	Main activity	Equity interest - % 2013 and 2014
Época Cosméticos	E-commerce of perfumes and cosmetics	**100%**
Luiza Administradora de Consórcios (LAC)	Consortium management company	**100%**

During 2013, the Company acquired 100% equity interest in Campos Floridos Comércio de Cosméticos Ltda. - "Época Cosméticos", as outlined in detail in Note 29.

The process of consolidating equity and income statement accounts observe their nature, eliminating the following:

2. Presentation and preparation of the financial statements (Continued)

2.2. Basis of consolidation and investments in subsidiaries (Continued)

- The parent company's interest in the capital, reserves and retained earnings from consolidated entities;
- Balances of assets and liabilities maintained between consolidated entities; and
- Balances of revenues and expenses deriving from transactions between consolidated entities.

In the parent company's financial statements, the financial information about the subsidiaries and joint ventures will be recognized by the equity accounting method.

2.3. Functional and reporting currency of the financial statements

The Group's functional currency is the Brazilian Real. The financial statements of each subsidiary, as well as the financial statements adopted as basis to measure the investments by the equity accounting method are prepared in Brazilian reais.

3. Summary of significant accounting practices

The following summary of significant accounting practices described have been consistently applied to the reported years and to the parent company and consolidated financial statements:

3.1. Foreign currency-denominated transactions

If any, the monetary assets and liabilities denominated in foreign currency are translated into Brazilian Reais by adopting the foreign exchange rate effective on the closing date of the related statements of financial position. The differences resulting from the currency translation are recognized as finance income or expenses in the statement of income.

3.2. Financial instruments

i) <u>Financial assets</u>

The Company classifies the financial instruments according to the purpose to which they were acquired and establishes the classification upon initial recognition as per the following categories:

Measured at fair value through profit or loss - the financial instruments held for trading are recorded in this category to be sold in the short term. These instruments are measured at fair value and have their gains and losses recorded directly in the statement of income. Securities are classified into this category.

3. Summary of significant accounting practices (Continued)

3.2. Financial instruments (Continued)

i) Financial assets (Continued)

Loans and receivables - these are non-derivative financial assets with fixed or determinable payments not quoted in an active market. Loans and receivables are measured at the amortized cost by adopting the effective interest rate method, less any impairment loss. Escrow deposits, related parties and trade receivables are classified into this category.

Financial assets impairment

As of the reporting dates, the Company analyzes if there is any objective evidence determining the impairment of the financial asset, or group of financial assets. Impairment only exists if, and only if, there is objective evidence of non-recoverability due to one or more events occurred after the asset's initial recognition with an impact on the estimated future cash flow of the financial asset, which may be reasonably estimated.

Derecognition (write-off) of financial assets

The derecognition of a financial asset only occurs when the contractual rights over the asset's cash flow are realized or when the Company transfers the financial asset and substantially all its risks and returns to third parties. In transactions where these financial assets are transferred to third parties, but without effective transfer of related risks and returns, the asset is not derecognized.

ii) Financial liabilities

The Group's financial liabilities were classified upon initial recognition in the following category:

Other financial liabilities - these are initially measured at fair value, net of transaction costs and, subsequently, they are measured by the amortized cost adopting the effective interest rate method to calculate the interest expense. The effective interest rate method calculates the amortized cost of a liability and allocates interest expenses during the relevant period. The following is classified herein: balances of trade payables, borrowings and financing, related parties and taxes paid in installments.

3. Summary of significant accounting practices (Continued)

3.2. Financial instruments (Continued)

ii) Financial liabilities (Continued)

Derecognition (write-off) of financial liabilities

A financial liability is written off when the obligation is revoked, canceled or expired. When a current financial liability is replaced with another one from same lender under substantially different terms, or the terms of a current liability are substantially modified, such replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in corresponding carrying amounts is recognized in profit or loss.

3.3. Derivative financial instruments

The Company uses derivative financial instruments to manage its market risks, deriving from mismatch between currencies and indices. Derivatives are initially recognized at fair value on the date of the agreement, and subsequently, measured at their fair value at the end of each year or period. Any gains or losses are recognized in profit or loss when earned or incurred, since these are not designated as effective hedge instrument.

3.4. Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured by the sum of consideration transferred, measured at fair value on the acquisition date. The costs directly attributable to the acquisition are recorded as expense when incurred.

Initially, the goodwill is measured as the surplus of the consideration transferred in relation to the net assets acquired at fair value (identifiable assets acquired and liabilities assumed). After initial recognition, the goodwill is measured at cost, less any accumulated impairment. For the purposes of impairment test, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash-generating units expected to benefit from the business combination synergies.

3. Summary of significant accounting practices (Continued)

3.5. Allocation of goodwill balances

Goodwill allocated to each cash-generating unit is annually tested for impairment or more frequently, when there is any indication that the cash-generating unit shows lower than expected performance. If the recoverable value of the cash-generating unit is lower than its carrying amount plus goodwill allocated thereto, the impairment loss is firstly allocated to reduce the goodwill allocated to the unit, and subsequently, to other assets of the unit, proportionally to the carrying amount of each of these assets. Any goodwill impairment is directly recognized in profit or loss when it was identified, which is not reversed in subsequent periods, even if the factors which resulted in its recording no longer exist.

3.6. Investment in joint ventures

Based on the equity accounting method, the investment in a joint venture is initially recognized at cost. The carrying amount of investment is adjusted to recognize changes in the Company's share in the joint venture's equity as of the acquisition date. The goodwill related to the joint venture, if any, is included in the carrying amount of the investment, but not amortized.

The statement of income reflects the Company's share in the joint venture's operating results. Any change in other comprehensive income of these investees is reported as part of the Company's other comprehensive income. In addition, when there is a variation directly recognized in the joint venture's equity, the Company will recognize its share in any variations, where applicable, in the statement of changes in equity. Unrealized gains and losses arising from transactions between the Company and the joint venture are removed to the extent of interest in the joint venture.

The joint venture's financial statements are prepared for the same reporting period as the Company's financial statements. Adjustments are made when necessary to align the accounting policies with those adopted by the Company.

After applying the equity accounting method, the Company determines whether it is necessary to recognize any additional impairment on the Company's investment in its joint venture. The Company determines, on each reporting date, if there is objective evidence that the investment in joint venture is impaired. If so, the Company calculates the impairment amount as the difference between the joint venture's recoverable value and its carrying amount, and recognizes the loss in the statement of income. The Company did not identify any objective evidence to recognize impairment in 2013 and 2014.

3. Summary of significant accounting practices (Continued)

3.7. Adjustments to present value

Retail operations

Main transactions that result in adjustments to present value are related to purchase of goods for resale in installments, as well as goods resale operations, whose balances the clients pay by installments at fixed interest rates and discounted at present value on the transaction date due to the installment terms.

The discount rate adopted considers the finance charges effects on the end consumer, weighted at the default risk percentage assessed and already included in the allowance for doubtful accounts.

The present value adjustment of liabilities referring to the purchase of goods for resale is recorded under “Trade payables” (the corresponding entry is “Inventories”). Its reversal is recorded under “Costs of goods resold and services rendered”, according to the related maturity term.

The corresponding entry of present value adjustment of resale of goods in installments is the “Trade receivables”. Their realization is recorded under “Revenue from resale of goods”, according to the related maturity term.

3.8. Monetary restatement of rights and obligations

The monetary assets and liabilities subject to contractual adjustments or foreign exchange and monetary variations are restated up to the end of the reporting period, and these variations are recorded in the statement of income for the year to which they refer.

3.9. Provisions

Provisions are recognized for current liabilities or risks resulting from past events, where it is possible to reliably estimate the amounts and whose settlement is probable. The amount recognized as provision is the best estimate of the considerations required to settle the liability at the end of each year or period, taking into account the risks and uncertainties related to the liability.

3. Summary of significant accounting practices (Continued)

3.10. Statement of Value Added ("DVA")

The Statement of Value Added ("DVA") aims at evidencing the wealth created by the Group and its distribution during certain period. It is presented pursuant to the Brazilian corporation law, as part of its parent company financial statements and as supplementary information to the consolidated financial statements, since it is neither an estimated statement nor is it mandatory under the IFRS.

4. Significant accounting judgments and sources of uncertainties about estimates

When applying the Group's accounting policies, the management is required to make judgment calls and prepare estimates on the carrying amounts of assets and liabilities to which objective information is not easily obtained from other sources. Estimates and related assumptions are based on the historical experience and other relevant factors. Actual results of these carrying amounts may differ from those estimates.

Below are the key assumptions concerning the future and other main sources of uncertainty in the estimates at the end of the reporting period, which may result in significant adjustments to the carrying amounts of assets and liabilities in the next period.

a) Deferred income tax and social contribution

The management's judgment is required in order to determine the deferred income tax and social contribution assets that may be recognized, based on a probable term and level of future taxable income, along with future tax planning strategies.

b) Useful life of long-lived assets

The Group recognizes the depreciation of its long-lived assets based on their estimated useful lives, which are based on the Group's practices and past experience and reflect the economic life of these assets. However, the actual useful lives may vary due to several factors. The useful lives of long-lived assets also affect tests to recover its cost.

4. Significant accounting judgments and sources of uncertainties about estimates (Continued)

c) Impairment of assets

At the end of each year, the Group reviews the balances of intangible assets and property and equipment to check whether there are indications that these assets may have been impaired (the highest amount between the value in use of their fair value, less sales costs). If yes, management conducts a detailed analysis of each asset's recoverable value by calculating the individual future cash flow, discounted at present value, adjusting the balance of related asset and its market value, if necessary.

d) Provision for inventory losses

The provision for inventory losses is estimated based on the history of losses identified in the physical inventory of stores and distribution centers, and the management considers it sufficient to cover probable losses upon physical inventory procedures.

e) Provision for inventory realization

The provision for inventory realization is recognized based on analysis of current sales prices, less taxes and overhead incurred for the sales effort, plus historical percentage of margin recovery with suppliers, compared to the cost of purchase of the products. In addition, goods transferred to technical assistance were considered in the analysis of obsolete products.

f) Allowance for doubtful accounts

This allowance is recorded in an amount that management deems sufficient to cover potential risks on the loan portfolio and other receivables. The criterion to record this allowance, takes into account, in retail operations, the percentage of historical recovery past-due receivables and the default rate for the amounts falling due.

g) Provision for tax, civil and labor contingencies

The Group is a party to several lawsuits and administrative proceedings, as described in Note 20. Provisions are recorded for all the risks referring to lawsuits representing probable and estimated losses with certain degree of safety. The chances of losses include an evaluation on available evidence, the hierarchy of laws, available former court decisions, most recent court decisions and their relevance in the system of laws, as well as the external legal counsel's opinion. Management believes that these provisions for tax, civil, and labor contingencies are fairly reported in the financial statements.

(Amounts in thousands of Brazilian reais - R$)

5. New standards, amendments and interpretations

a) Below, the new pronouncements that became effective as of January 1, 2014, but without any significant effects on the Company's annual financial statements:

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32	The amendment clarifies the meaning of "currently has a legally enforceable right to set off the recognized amounts" and the criterion that would qualify for sett-off the non-simultaneous settlement mechanisms.
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	These provide an exception to the consolidation requirements for entities that meet the definition of investment entity pursuant to IFRS 10. This exception requires the investment entity to account for investment in subsidiaries at fair value through profit or loss.
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	This amendment softens the discontinuation of hedge accounting when novation of a derivative designated as hedging meets certain criteria.
IFRIC 21 - Taxes	It clarifies when an entity should recognize a tax liability when the event triggering payment occurs. For a tax requiring its payment due to complying with certain metrics, the interpretation indicates that no liability should be recognized until the metrics is reached.

b) Below, the new or revised pronouncements not yet effective and will become effective as of the year beginning January 1, 2015:

IFRS 9 Financial Instruments (Effective as of 01/01/2018)	It aims ultimately to replace IAS 39. The main amendments are: (i) all the financial assets must be initially recognized at their fair value; (ii) the standard divides all the financial assets into: amortized cost and fair value; and (iv) the concept of embedded derivatives was extinguished.
IFRS 15 Revenue from Contracts with Customers (Effective as of 01/01/2017)	It mainly aims at providing clear principles to recognize revenue and streamline the process of preparing the financial statements.
Amendment to IFRS 11 Business Combination (Effective as of 01/01/2016)	The entity participating in a joint venture must apply the relevant principles related to business combination, including referring to required disclosures.
Amendment to IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortization (Effective as of 01/01/2016)	Method of depreciation and amortization must be based on the economic benefits consumed by means of the use of asset.
Amendment to IAS 27 Equity accounting in separate financial statements (effective as of 01/01/2016)	This review opens the possibility of adopting the equity accounting method in investments held in subsidiaries in separate financial statements.
Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entity - exceptions to the consolidation rule (Effective as of 01/01/2016.)	Among other clarifications, it is set forth that the entity, which is not, an investment entity may maintain, when applying the equity accounting method, the measurement at fair value through profit and loss adopted by its investments.
Amendment to IAS 1 (Effective as of 01/01/2016)	It aims at stressing that the accounting and financial information must be objective and easy to understand.

(Amounts in thousands of Brazilian reais - R$)

6. Cash and cash equivalents

Accounting policy

The Company's management defines as “Cash and cash equivalents” the amounts held for the purpose of meeting short-term commitments rather than for investment or other purposes. The financial investments can be immediately converted into a known cash amount with the issuer and are not subject to a significant risk of change in value, recorded at cost plus income earned until the end of the reporting period, which does not exceed their market or realization value.

		Company		Consolidated	
	Rates	2014	2013	2014	2013
Cash		**30,550**	33,988	**30,558**	33,990
Banks		**35,996**	19,263	**36,262**	21,561
Bank deposit certificates	From 80.0% to 105% CDI	**324,500**	143,309	**339,459**	143,309
Non-exclusive investment funds	102.0% CDI	**717**	81,446	**5,891**	81,446
Total cash and cash equivalents		**391,763**	278,006	**412,170**	280,306

7. Securities

Financial assets at fair value through profit or loss	**Rates**	**Company 2014**	**Company 2013**	**Consolidated 2014**	**Consolidated 2013**
Held for trading					
Non-exclusive investment funds	105% CDI	**5,597**	4,968	**5,597**	19,046
Exclusive investment funds:					
Investment fund quotas	(a)	**4,190**	7,842	**4,190**	7,842
Federal government securities	(a)	**83,566**	145,041	**83,566**	145,041
Purchase and sale commitments	(a)	**256,002**	185,865	**256,002**	185,865
Time deposits and other securities	(a)	**101,624**	133,494	**101,624**	133,494
	Note 10-a	**445,382**	472,242	**445,382**	472,242
Total securities		**450,979**	477,210	**450,979**	491,288

(a) Considers the exclusive fixed income investment fund. At December 31, 2014, the portfolio was mainly distributed into the four categories described in the table above, which are linked to financial operations securities, indexed to the monthly variation of CDI rate, to return the average profitability of 103% of the CDI to the Company.

(Amounts in thousands of Brazilian reais - R$)

8. Trade receivables

Accounting policy

Trade receivables are recorded and maintained in the statement of financial position for the securities amount, adjusted to present value, where applicable, mainly represented by credits from installment resales and credit card and the allowance for doubtful accounts (Note 4-f).

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Trade receivables:				
Debit and credit cards (a)	**190,413**	196,530	**191,792**	197,228
Own installment program (b)	**107,275**	100,290	**107,275**	100,290
Additional warranty agreements (c)	**162,148**	134,622	**162,148**	134,622
Total trade receivables	**459,836**	431,442	**461,215**	432,140
Arising from sales agreements (d)	**237,512**	167,049	**237,879**	167,049
Allowance for doubtful accounts	**(49,511)**	(43,190)	**(49,511)**	(43,190)
Present value adjustment	**(26,232)**	(20,696)	**(26,287)**	(20,696)
Total receivables	**621,605**	534,605	**623,296**	535,303
Current assets	**616,585**	529,922	**618,276**	530,620
Noncurrent assets	**5,020**	4,683	**5,020**	4,683

The average term to receive trade receivables is 14 days in the company and consolidated. Receivables were assigned to secure borrowings for R$120,802 at December 31, 2014 (R$118,986 at December 31, 2013), represented by credit card receivables.

(a) Refer 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 December 31, 2014, the Company had credits granted to financial institutions totaling R$1,515,648 (R$1,186,319 at December 31, 2013), where a discount between 105.0% and 108.0% of CDI is applied, which is recognized in profit or loss under “Finance expenses.” The Company, through card sales transactions, transfers to the credit card companies and financial institutions all risks of payment by customers and, therefore, does not recognize the receivables referring to these credits. The respective financial charges are recorded in profit or loss for the year upon derecognition.

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

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

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

(Amounts in thousands of Brazilian reais - R$)

8. Trade receivables (Continued)

Changes in the allowance for doubtful accounts are as follows:

	Company and Consolidated	
	2014	**2013**
Balance at the beginning of the year	**(43,190)**	(38,496)
(+) Additions	**(61,247)**	(50,256)
(-) Write-offs	**54,926**	45,562
Balance at the end of the year	**(49,511)**	(43,190)

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

	Trade Receivables				Receivables from Sales Agreements			
	Company		Consolidated		Company		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Falling due:								
Up to 30 days	**70,121**	73,614	**70,550**	74,009	**50,532**	23,295	**50,899**	23,295
Between 31 and 60 days	**45,723**	43,778	**45,912**	43,828	**139,089**	87,251	**139,089**	87,251
Between 61 and 90 days	**43,599**	40,930	**43,816**	40,965	**36,467**	31,799	**36,467**	31,799
Between 91 and 180 days	**79,382**	78,979	**79,718**	79,197	**9,025**	21,284	**9,025**	21,284
Between 181 and 360 days	**179,275**	158,068	**179,483**	158,068	**780**	553	**780**	553
Over 361 days	**7,832**	10,135	**7,832**	10,135	**-**	-	**-**	-
	425,932	405,504	**427,311**	406,202	**235,893**	164,182	**236,260**	164,182
Past-due:								
Up to 30 days	**7,636**	6,108	**7,636**	6,108	**587**	2,446	**587**	2,446
Between 31 and 60 days	**5,726**	4,299	**5,726**	4,299	**300**	289	**300**	289
Between 61 and 90 days	**5,210**	4,117	**5,210**	4,117	**101**	26	**101**	26
Between 91 and 180 days	**15,332**	11,414	**15,332**	11,414	**631**	106	**631**	106
	33,904	25,938	**33,904**	25,938	**1,619**	2,867	**1,619**	2,867
Total	**459,836**	431,442	**461,215**	432,140	**237,512**	167,049	**237,879**	167,049

(Amounts in thousands of Brazilian reais - R$)

9. Inventories

Accounting policy

Inventories are stated at the smallest amount between the average acquisition cost and the net realization amount. The average acquisition cost includes the purchase price, taxes and non-recoverable taxes, such as the ICMS ST (State VAT replacement), and other costs directly attributable to the acquisition, and trade discounts and rebates. The net realizable amount corresponds to the estimated sales price of inventories, less all costs necessary for the sale.

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Resale goods	**1,475,198**	1,260,783	**1,482,383**	1,264,940
Consumption material	**11,183**	14,162	**11,183**	14,162
Provision for losses	**(20,828)**	(27,740)	**(20,828)**	(27,740)
Total	**1,465,553**	1,247,205	**1,472,738**	1,251,362

At December 31, 2014, the Company has revolving inventories assigned as guarantee in legal lawsuits in progress, totaling approximately R$1,817 (R$1,671 at December 31, 2013).

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

	Company and Consolidated	
	2014	**2013**
Opening balance	**(27,740)**	(21,055)
Provision	**(18,970)**	(25,880)
Written-off or sold inventories	**25,882**	19,195
Closing balance	**(20,828)**	(27,740)

(Amounts in thousands of Brazilian reais - R$)

10. Related-party transactions

a) Balances from related parties

	Company		Consolidated	
Current assets	**2014**	**2013**	**2014**	**2013**
Commissions on services				
Joint ventures:				
Luizacred (i)	**24,127**	15,329	**24,127**	15,329
Luizaseg (ii)	**41,292**	38,450	**41,292**	38,450
	65,419	53,779	**65,419**	53,779
Subsidiaries:				
Luiza Administradora de Consórcios(“LAC”) (iii)	**675**	579	**-**	-
Reimbursement of expenses and costs with consortium draws				
Consortium Group (“LAC”) (iii)	**647**	994	**647**	994
Dividends receivable:				
Luizacred (i)	**2,325**	13,840	**2,325**	13,840
Luizaseg (ii)	**2,307**	2,345	**2,307**	2,345
	4,632	16,185	**4,632**	16,185
Balance receivable from credit card sales and accounts receivable by CDC:				
Luizacred (i)	**22,522**	37,937	**22,522**	37,937
Total	**93,895**	109,474	**93,220**	108,895
Securities				
Investment Funds (vii)	**445,382**	472,242	**445,382**	472,242

	Company		Consolidated	
Current Liabilities	**2014**	**2013**	**2014**	**2013**
Transfers of receivables from services and accounts payable:				
Joint ventures:				
Luizacred (i)	**24,234**	23,606	**24,234**	23,606
Luizaseg (ii)	**51,374**	47,668	**51,374**	47,668
	75,608	71,274	**75,608**	71,274
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**622**	826	**622**	826
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**220**	97	**-**	-
	842	923	**622**	826
Rentals payable and other transfers				
Controlled by the Company’s controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**1,651**	1,426	**1,651**	1,426
PJD Agropastoril Ltda. (vi)	**37**	34	**37**	34
	1,688	1,460	**1,688**	1,460
Payables relating to advertising campaigns:				
ETCO - special partnership (v)	**2,387**	59	**2,387**	59
	80,525	73,716	**80,305**	73,619

(Amounts in thousands of Brazilian reais - R$)

10. Related-party transactions (Continued)

a) Balances from related parties (Continued)

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Income from service intermediation commissions				
Joint ventures:				
Luizacred (i)	**145,171**	156,998	**145,171**	156,998
Luizaseg (ii)	**295,253**	179,877	**295,253**	179,877
	440,424	336,875	**440,424**	336,875
Subsidiaries:				
Luiza Administradora de Consórcio (“LAC”) (iii)	**7,419**	6,907	**-**	-
Revenue from return on exclusive fund:				
Investment Funds (vii)	**30,144**	22,328	**30,144**	22,328
Reimbursement of shared expenses				
Joint ventures:				
Luizacred (i)	**56,317**	49,516	**56,317**	49,516
Total revenues	**534,304**	415,626	**526,885**	408,719

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Costs related to the acquisition of goods				
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**(3,280)**	(847)	**-**	**-**
Total costs	**(3,280)**	(847)	**-**	**-**

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Office building rental expenses				
Controlled by the Company’s controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**(14,370)**	(11,679)	**(14,370)**	(11,679)
PJD Agropastoril Ltda. (vi)	**(384)**	(384)	**(384)**	(384)
	(14,754)	(12,063)	**(14,754)**	(12,063)
Freight expenses				
PJD Agropastoril Ltda. (vi)	**(2,363)**	-	**(2,363)**	-
Credit card anticipation charge expenses:				
Luizacred (i)	**(82,221)**	(52,866)	**(82,221)**	(52,866)
Advertising campaign expenses				
Controlled by the Company’s controlling shareholders:				
ETCO - Special Partnership (v)	**(242,942)**	(146,009)	**(242,942)**	(146,009)
	(342,280)	(210,938)	**(342,280)**	(210,938)

10. Related-party transactions (Continued)

a) Balances from related parties (Continued)

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

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

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

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

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

(ii) The amounts receivable (current assets) and revenues of Luizaseg, a 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 additional warranties and proposed dividends. The amounts payable (current liabilities) refer to the transfers of extended warranties sold to Luizaseg, in full, in the month following the sale.

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

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

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

(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 7 - 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.

(Amounts in thousands of Brazilian reais - R$)

10. Related-party transactions (Continued)

b) Management Compensation

	2014		2013	
	Board of Directors	Board of Executive Officers	Board of Directors	Board of Executive Officers
Fixed and variable compensation	**408**	**14,371**	336	13,365
Stock option plan	**386**	**2,930**	236	2,388

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 as those extended to other employees of the Company. The Company's Board of Directors approved on April 17, 2014, the management's overall compensation for the year ended December 31, 2014, where a maximum limit for management's overall compensation was estimated at R$19,381.

11. Recoverable taxes

	Company		Consolidated	
	2014	2013	2014	2013
Recoverable ICMS (a)	**347,762**	363,218	**347,762**	363,218
Recoverable income tax and social contribution	**5,511**	8,928	**5,511**	8,928
Recoverable withholding income tax	**13,866**	3,902	**13,876**	3,902
Recoverable PIS and COFINS	**33,062**	1,252	**33,442**	1,252
Other	**1,481**	15	**1,481**	15
	401,682	377,315	**402,072**	377,315
Current assets	**295,205**	218,554	**295,595**	218,554
Noncurrent assets	**106,477**	158,761	**106,477**	158,761

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

12. Income tax and social contribution

Accounting policy

Current Tax

Income taxes are recognized in profit or loss for the year. The provisions for income tax and social contribution are calculated individually by company member of the Group based on the rates effective at the year's end.

Deferred Tax

Deferred income tax and social contribution ("deferred taxes") are recognized on temporary differences between the balances of assets and liabilities recognized in the financial statements and related tax bases adopted to calculate the taxable income, including the tax loss and social contribution tax loss carryforwards, not subject to statute of limitations. Deferred tax liabilities are usually recognized for all taxable temporary differences and deferred tax assets are recognized over all deductible temporary differences only when it is probable that the future taxable basis will be in an amount sufficient to absorb the deductible temporary differences.

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

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

(Amounts in thousands of Brazilian reais - R$)

12. Income tax and social contribution (Continued)

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

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Income (loss) before income tax and social contribution	**129,033**	129,202	**130,186**	131,004
Statutory rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution credits at statutory rates	**(43,871)**	(43,929)	**(44,263)**	(44,541)
Reconciliation for effective rate (effects of applying tax rates):				
Effect on the distribution of interest on equity	**4,760**	4,080	**4,760**	4,080
Effect of tax benefit referring to the technology innovation, pursuant to Law No. 11195/2005	**2,981**	1,468	**2,981**	1,468
Exclusion - equity in the earnings (losses) of subsidiaries	**34,683**	19,425	**33,871**	18,518
Other permanent exclusions, net	**970**	3,560	**1,021**	3,277
Debit from income tax and social contribution	**(477)**	(15,396)	**(1,630)**	(17,198)
Current	**(6,660)**	(17,023)	**(8,650)**	(18,456)
Deferred	**6,183**	1,627	**7,020**	1,258
Total	**(477)**	(15,396)	**(1,630)**	(17,198)
Effective tax rate	**0.4%**	11.9%	**1.3%**	13.1%

(Amounts in thousands of Brazilian reais - R$)

12. Income tax and social contribution (Continued)

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

Company	Balance at 01/01/2013	Recognized in profit or loss	Tax loss carryforward with installment payment (2)	Balance at 12/31/2013	Recognized in profit or loss	Transfer from the adoption of Law No. 12973/14 (3)	Balance at 12/31/2014
Deferred income tax and social contribution assets:							
Tax losses and social contribution tax loss carryforwards	75,337	(7,436)	(10,132)	**57,769**	**(2,916)**	**-**	**54,853**
Allowance for doubtful accounts	18,459	(3,774)	-	**14,685**	**2,149**	**-**	**16,834**
Provision for inventory losses	7,159	2,273	-	**9,432**	**(2,351)**	**-**	**7,081**
Provision for present value adjustment	-	-	-	**-**	**-**	**8,793**	**8,793**
Provision for tax, civil and labor contingencies	49,849	19,827	-	**69,676**	**10,423**	**-**	**80,099**
Other provisions	1,648	(1,542)	-	**106**	**5,218**	**-**	**5,324**
	152,452	9,348	(10,132)	**151,668**	**12,523**	**8,793**	**172,984**
Deferred income tax and social contribution liabilities:							
Amortization of intangible assets	-	-	-	**-**	**-**	**(27,548)**	**(27,548)**
Temporary difference due to adoption of RTT (1) and amortization of intangible assets in business combination	(4,694)	(7,721)	-	**(12,415)**	**(6,340)**	**18,755**	**-**
	(4,694)	(7,721)	-	**(12,415)**	**(6,340)**	**(8,793)**	**(27,548)**
	147,758	1,627	(10,132)	**139,253**	**6,183**	**-**	**145,436**

(Amounts in thousands of Brazilian reais - R$)

12. Income tax and social contribution (Continued)

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

Consolidated	Balance at 01/01/2013	Recognized in profit or loss	Tax loss carryforward with installment payment (2)	Balance at 12/31/2013	Recognized in profit or loss	Transfer from the adoption of Law No. 12973/14 (3)	Balance at 12/31/2014
Deferred income tax and social contribution assets:							
Tax losses and social contribution tax loss carryforwards	75,337	(7,436)	(10,132)	**57,769**	**(2,112)**	**-**	**55,657**
Allowance for doubtful accounts	18,459	(3,774)	-	**14,685**	**2,149**	**-**	**16,834**
Provision for inventory losses	7,159	2,273	-	**9,432**	**(2,291)**	**-**	**7,141**
Provision for present value adjustment	-	-	-	**-**	**-**	**8,793**	**8,793**
Provision for tax, civil and labor contingencies	50,392	19,458	-	**69,850**	**10,396**	**-**	**80,246**
Other provisions	1,648	(1,542)	-	**106**	**5,218**	**-**	**5,324**
	152,995	8,979	(10,132)	**151,842**	**13,360**	**8,793**	**173,995**
Deferred income tax and social contribution liabilities:							
Amortization of intangible assets	-	-	-	**-**	**-**	**(27,548)**	**(27,548)**
Temporary difference due to adoption of RTT (1) and amortization of intangible assets in business combination	(4,694)	(7,721)	-	**(12,415)**	**(6,340)**	**18,755**	**-**
	(4,694)	(7,721)	-	**(12,415)**	**(6,340)**	**(8,793)**	**(27,548)**
	148,301	1,258	(10,132)	**139,427**	**7,020**	**-**	**146,447**

(1) The Company adopted the Transitional Tax System (RTT), as prescribed by Law No. 11941/09, which from the adoption of new accounting practices, creates temporary differences on taxable bases.

(2) Tax loss carryforwards, referring to the adhesion to the installment payment of debts with the Attorney General of the National Treasury, pursuant to Law No. 12685/13.

(3) In October 2014, the Company adopted the Law No. 12973/14, which revokes the Transitory Tax Regime (RTT), enacted by Law No. 11941/09.

(Amounts in thousands of Brazilian reais - R$)

12. Income tax and social contribution (Continued)

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

The asset recorded is limited to the amounts whose realization is supported by future taxable base projections, approved by management. The expected realization of the deferred income tax and social contribution at December 31, 2014 is as follows:

	Company	Consolidated
Year of realization		
2015	**51,547**	**51,547**
2016	**25,384**	**25,444**
2017	**31,184**	**31,184**
2018	**35,122**	**35,926**
2019 onwards	**2,199**	**2,346**
	145,436	**146,447**

13. Investment in subsidiaries

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

	Época		LAC	
	2014	**2013**	**2014**	**2013**
Units of interest held	**4,155**	4,155	**6,500**	6,500
Current assets	**10,136**	5,343	**21,312**	17,080
Noncurrent assets	**6,551**	937	**3,527**	2,754
Current liabilities	**5,185**	4,971	**6,528**	4,314
Noncurrent liabilities	**19,035**	19,035	**2,812**	1,944
Capital stock	**11,255**	4,155	**6,500**	6,500
Equity	**(7,533)**	(17,726)	**15,499**	13,576
Net revenues	**28,095**	3,790	**39,559**	35,090
Net income (loss) for the year	**(1,633)**	(635)	**4,023**	3,304

Changes in investments	**2014**	**2013**	**2014**	**2013**
Balances at the beginning of the year	**23,827**	-	**13,576**	12,272
Total assets identified, net (Note 29)	**-**	(12,364)	**-**	-
Goodwill generated in acquisition (Note 29)	**-**	36,826	**-**	-
Advance for Future Capital Increase "AFAC"	**7,100**	-	**-**	-
Dividends proposed	**-**	-	**(2,100)**	(2,000)
Equity in the earnings (losses) of subsidiaries	**(1,633)**	(635)	**4,023**	3,304
Balance at the end of the year	**29,294**	23,827	**15,499**	13,576

13. Investment in subsidiaries (Continued)

Total investments in subsidiaries

	2014	2013
Época Cosméticos	**29,294**	23,827
Consortium group ("LAC")	**15,499**	13,576
	44,793	37,403

14. Investment in joint ventures

	Luizacred (a)		Luizaseg (b)	
	2014	2013	2014	2013
Total shares - in thousands	**978**	978	**13,883**	13,883
Direct interest percentage	**50%**	50%	**50%**	50%
Current assets	**4,120,696**	3,655,436	**190,268**	168,900
Noncurrent assets	**451,520**	384,972	**154,572**	132,388
Current liabilities	**3,943,110**	3,553,144	**187,354**	195,718
Noncurrent liabilities	**67,974**	62,262	**79,410**	27,076
Capital stock	**274,624**	274,624	**13,884**	13,884
Equity	**561,132**	425,002	**78,076**	78,494
Net revenue	**1,746,280**	1,479,584	**330,620**	217,790
Net income (loss) for the year	**180,782**	89,182	**18,456**	19,748

Changes in investments	Luizacred		Luizaseg	
	2014	2013	2014	2013
Balance at the beginning of the year	**212,501**	181,751	**39,246**	41,143
Proposed dividends	**(22,327)**	(13,840)	**(9,818)**	(10,046)
Other comprehensive income	**-**	-	**382**	(1,725)
Equity in the earnings (losses) of subsidiaries	**90,392**	44,590	**9,228**	9,874
Balance at the end of the year	**280,566**	212,501	**39,038**	39,246

Total investments in joint ventures

	2014	2013
Luizacred	**280,566**	212,501
Luizaseg	**39,038**	39,246
	319,604	251,747

(Amounts in thousands of Brazilian reais - R$)

14. Investment in joint ventures (Continued)

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

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

15. Property and equipment

Accounting policy

Property and equipment are stated at the acquisition or construction cost, less related accumulated depreciation, except for land and construction in progress, plus interest rates incurred and capitalized during the properties construction phase, where applicable.

Depreciation is recognized based on the estimated useful lives of each asset or family of assets by the straight-line method, so that its residual value after its useful life is fully written off. The estimated useful life, the residual values and depreciation methods are yearly reviewed and the effect of any change in estimates is accounted for prospectively.

An item of the property and equipment is written off after being sold or when there is no future economic benefits resulting from its continued use. Gains or losses on sale or write-off are recognized in profit or loss when incurred.

The accounting policy related to the impairment of property and equipment is described in Note 4-c.

Changes in property and equipment for the years ended December 31, 2014 and 2013 are as follows:

a) Parent Company

	Balance at 12/31/2013	Additions	Depreciation	Write-offs	Transfer	Balance at 12/31/2014
Furniture and fixtures	92,369	10,966	(15,836)	(856)	7,046	**93,689**
Machinery and equipment	51,792	12,589	(3,689)	(393)	(1,595)	**58,704**
Vehicles	28,702	275	(4,015)	(225)	133	**24,870**
Computers and peripherals	37,349	11,084	(17,421)	(306)	5,281	**35,987**
Leasehold improvements	285,474	-	(35,276)	(283)	39,036	**288,951**
Work in progress	36,195	62,059	-	(87)	(41,238)	**56,929**
Other	7,848	9,282	(1,314)	(925)	(8,663)	**6,228**
	539,729	106,255	(77,551)	(3,075)	-	**565,358**

(Amounts in thousands of Brazilian reais - R$)

15. Property and equipment (Continued)

a) Parent Company (Continued)

	Balance at 01/01/2013	**Additions**	**Depreciation**	**Write-offs**	**Transfer**	**Balance 12/31/2013**
Furniture and fixtures	79,600	352	(13,520)	(548)	26,485	92,369
Machinery and equipment	44,991	-	(3,272)	(281)	10,354	51,792
Vehicles	27,508	4,502	(3,949)	(643)	1,284	28,702
Computers and peripherals	43,372	5,228	(17,174)	(713)	6,636	37,349
Leasehold improvements	302,399	-	(31,483)	(29,995)	44,553	285,474
Work in progress	66,935	58,951	-	(41,401)	(48,290)	36,195
Other	8,418	42,366	(1,365)	(549)	(41,022)	7,848
	573,223	111,399	(70,763)	(74,130)	-	539,729

	2014			**2013**		
	Cost	**Accumulated depreciation**	**Net**	**Cost**	**Accumulated depreciation**	**Net**
Furniture and fixtures	**154,927**	**(61,238)**	**93,689**	149,168	(56,799)	92,369
Machinery and equipment	**80,559**	**(21,855)**	**58,704**	70,023	(18,231)	51,792
Vehicles	**43,219**	**(18,349)**	**24,870**	43,545	(14,843)	28,702
Computers and peripherals	**136,361**	**(100,374)**	**35,987**	127,700	(90,351)	37,349
Leasehold improvements	**495,393**	**(206,442)**	**288,951**	453,712	(168,238)	285,474
Work in progress	**56,929**	**-**	**56,929**	36,195	-	36,195
Other	**14,650**	**(8,422)**	**6,228**	15,375	(7,527)	7,848
	982,038	**(416,680)**	**565,358**	895,718	(355,989)	539,729

b) Consolidated

	Balance at 12/31/2013	**Additions (1)**	**Depreciation**	**Write-offs**	**Transfer**	**Balance at 12/31/2014**
Furniture and fixtures	92,369	10,966	(15,836)	(856)	7,046	**93,689**
Machinery and equipment	51,792	12,589	(3,689)	(393)	(1,595)	**58,704**
Vehicles	28,702	275	(4,015)	(225)	133	**24,870**
Computers and peripherals	37,349	11,084	(17,421)	(306)	5,281	**35,987**
Leasehold improvements	285,474	-	(35,276)	(283)	39,036	**288,951**
Work in progress	36,195	62,059	-	(87)	(41,238)	**56,929**
Other	8,563	9,617	(1,529)	(925)	(8,663)	**7,063**
	540,444	106,590	(77,766)	(3,075)	-	**566,193**

	Balance at 01/01/2013	**Additions (1)**	**Depreciation**	**Write-offs**	**Transfer**	**Balance 12/31/2013**
Furniture and fixtures	79,600	352	(13,520)	(548)	26,485	92,369
Machinery and equipment	44,991	-	(3,272)	(281)	10,354	51,792
Vehicles	27,508	4,502	(3,949)	(643)	1,284	28,702
Computers and peripherals	43,372	5,228	(17,174)	(713)	6,636	37,349
Leasehold improvements	302,399	-	(31,483)	(29,995)	44,553	285,474
Work in progress	66,935	58,951	-	(41,401)	(48,290)	36,195
Other	9,152	42,513	(1,531)	(549)	(41,022)	8,563
	573,957	111,546	(70,929)	(74,130)	-	540,444

(Amounts in thousands of Brazilian reais - R$)

15. Property and equipment (Continued)

b) Consolidated (Continued)

	2014			2013		
	Cost	**Accumulated depreciation**	**Net**	**Cost**	**Accumulated depreciation**	**Net**
Furniture and fixtures	**154,927**	**(61,238)**	**93,689**	149,168	(56,799)	92,369
Machinery and equipment	**80,559**	**(21,855)**	**58,704**	70,023	(18,231)	51,792
Vehicles	**43,219**	**(18,349)**	**24,870**	43,545	(14,843)	28,702
Computers and peripherals	**136,361**	**(100,374)**	**35,987**	127,700	(90,351)	37,349
Leasehold improvements	**495,393**	**(206,442)**	**288,951**	453,712	(168,238)	285,474
Work in progress	**56,929**	**-**	**56,929**	36,195	-	36,195
Other	**16,789**	**(9,726)**	**7,063**	17,177	(8,614)	8,563
	984,177	**(417,984)**	**566,193**	897,520	(357,076)	540,444

(1) Investments in renovation and adaptation of store facilities were substantially financed by the Brazilian Federal Savings Bank, as detailed in Note 18.

In 2013, the Company sold its 76.7% interest in the distribution center located in the city of Louveira (SP) for R$205,461, and net cost of the property and other transaction costs totaled R$78,907. Total gain from the transaction is recorded under "Other operating income, net."

At December 31, 2014, the Company recorded R$4,325 (R$2,822 at December 31, 2013), referring to the borrowing costs capitalized to open new stores and acquire facilities and equipment. The average borrowing rate was adopted to calculate the borrowing costs that can be capitalized.

c) Depreciation rates

Annual depreciation rates are stated as follows:

	2014	**2013**
Furniture and fixtures	**10%**	10%
Machinery and equipment	**5%**	5%
Light vehicles	**20%**	20%
Heavy vehicles	**14.3%**	14.3%
Computers and peripherals	**20%**	20%
Leasehold improvements	**7.1%**	6.7%

At December 31, 2014, the Group had property and equipment fully depreciated in operation at the amount of R$151,592 (R$140,059 at December 31, 2013). The Group has no idle items of the property and equipment or held for sale.

15. Property and equipment (Continued)

d) Asset impairment test

In the reporting years, we did not identify any event indicating the need for making calculations to assess any impairment of the property and equipment.

16. Intangible assets

Accounting Policy

The intangible assets with finite useful lives, represented by the amounts paid in the acquisition of new points-of-sale (goodwill), have been amortized on a straight-line basis for 10 years, a period which reflects the management's best estimate of the minimum period of occupancy in the leased property.

Software refers to the acquisition cost of the business management system and it has been amortized on a straight-line basis for five years. Some modules of this system are still not operating, therefore, they are recorded under "Projects in progress".

The intangible assets acquired in a business combination mainly refer to the goodwill verified in investment acquisition represented by store chains. In the consolidated financial statements, the intangible assets acquired in a business combination and recognized separately from goodwill are recorded at fair value on the acquisition date, which corresponds to its cost.

An intangible asset is written off upon sale or when there is no future economic benefits related thereto, being recognized in profit & loss when the asset is written off.

The accounting policies related to the impairment of intangible assets are described in Notes 3.5 (goodwill) and 4-c. (other intangible assets).

(Amounts in thousands of Brazilian reais - R$)

16. Intangible assets (Continued)

Changes recorded during the years ended December 31, 2014 and 2013 are as follows:

a) Parent Company

	Balance at 12/31/2013	Additions	Amortization	Write-offs	Transfer	Balance at 12/31/2014
Goodwill from the acquisition of new chains	**313,856**	**-**	**-**	**-**	**-**	**313,856**
Goodwill	**57,178**	**-**	**(19,101)**	**(782)**	**-**	**37,295**
Software	**41,907**	**15,794**	**(17,200)**	**-**	**21,519**	**62,020**
Projects in progress	**25,368**	**29,198**	**-**	**(344)**	**(21,519)**	**32,703**
Trademarks and patents	**146**	**-**	**(44)**	**-**	**-**	**102**
Other	**104**	**-**	**-**	**-**	**-**	**104**
	438,559	**44,992**	**(36,345)**	**(1,126)**	**-**	**446,080**

	Balance at 01/01/2013	Additions	Amortization	Write-offs	Transfer	Balance at 12/31/2013
Goodwill from the acquisition of new chains	313,856	-	-	-	-	313,856
Goodwill	69,191	452	(18,938)	-	6,473	57,178
Software	34,013	115	(11,881)	-	19,660	41,907
Projects in progress	17,687	33,837	-	(23)	(26,133)	25,368
Trademarks and patents	-	-	-	-	146	146
Other	302	-	(52)	-	(146)	104
	435,049	34,404	(30,871)	(23)	-	438,559

	2014			2013		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill from the acquisition of new chains	**325,451**	**(11,595)**	**313,856**	325,451	(11,595)	313,856
Goodwill	**126,776**	**(89,481)**	**37,295**	127,807	(70,629)	57,178
Software	**143,600**	**(81,580)**	**62,020**	103,120	(61,213)	41,907
Projects in progress	**32,703**	**-**	**32,703**	25,368	-	25,368
Trademarks and patents	**212**	**(110)**	**102**	212	(66)	146
Other	**6,428**	**(6,324)**	**104**	9,595	(9,491)	104
	635,170	**(189,090)**	**446,080**	591,553	(152,994)	438,559

(Amounts in thousands of Brazilian reais - R$)

16. Intangible assets (Continued)

b) Consolidated

	Balance at 12/31/2013	Additions	Amortization	Write-offs	Transfer	Balance at 12/31/2014
Goodwill from the acquisition of new chains	350,683	-	-	-	-	**350,683**
Goodwill	58,918	-	(19,101)	(782)	-	**39,035**
Software	42,765	15,877	(17,421)	-	21,519	**62,740**
Projects in progress	25,368	29,198	-	(344)	(21,519)	**32,703**
Trademarks and patents	3,533	-	(44)	-	-	**3,489**
Other	103	-	-	-	-	**103**
	481,370	45,075	(36,566)	(1,126)	-	**488,753**

	Balance at 01/01/2013	Additions	Arising from acquisition of subsidiary	Amortization	Write-offs	Transfer	Balance at 12/31/2013
Goodwill from the acquisition of new chains	313,857	-	36,826	-	-	-	350,683
Goodwill	69,191	452	1,740	(18,938)	-	6,473	58,918
Software	34,302	295	546	(12,038)	-	19,660	42,765
Projects in progress	17,687	33,837	-	-	(23)	(26,133)	25,368
Trademarks and patents	-	-	3,387	-	-	146	3,533
Other	301	-	-	(52)	-	(146)	103
	435,338	34,584	42,499	(31,028)	(23)	-	481,370

	2014			2013		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill from the acquisition of new chains	**362,278**	**(11,595)**	**350,683**	362,278	(11,595)	350,683
Goodwill	**128,516**	**(89,481)**	**39,035**	129,547	(70,629)	58,918
Software	**145,251**	**(82,511)**	**62,740**	104,669	(61,904)	42,765
Projects in progress	**32,703**	**-**	**32,703**	25,368	-	25,368
Trademarks and patents	**3,599**	**(110)**	**3,489**	3,599	(66)	3,533
Other	**6,427**	**(6,324)**	**103**	9,595	(9,492)	103
	678,774	**(190,021)**	**488,753**	635,056	(153,686)	481,370

Expenses related to the amortization of intangible assets are recorded under “Depreciation and amortization” in the profit or loss for the year.

Impairment tests on goodwill and intangible assets

Goodwill and other intangible assets underwent impairment tests at December 31, 2014 and 2013. Management prepared an estimate of recoverable values or amounts in use of all assets.

(Amounts in thousands of Brazilian reais - R$)

16. Intangible assets (Continued)

b) Consolidated (Continued)

Impairment tests on goodwill and intangible assets (Continued)

The impairment tests comprise the calculation of recoverable values of the Cash-Generating Units (CGUs), which correspond to the group of stores of the acquired chains to which the goodwill and the intangible assets have been allocated, as follows:

	2014	**2013**
Goodwill related to the acquisition of chains in Southern region	**25,327**	25,327
Goodwill related to the acquisition of Lojas Maia	**230,579**	230,579
Goodwill related to the acquisition of New-Utd	**57,951**	57,951
Goodwill related to the acquisition of Época Cosméticos	**36,826**	36,826
Total	**350,683**	350,683

The value in use of each CGU is calculated according to the discounted cash flow method, before taxes, applying the following rates:

	Discount rate (p.a.)
Discounted cash flow	13.0% (1)
Weighted average growth rate in the first 10 years	9.6%
Perpetuity	3.5%

(1) CAPM rate (weighted average cost of capital)

The assumptions about the future cash flows and growth prospects for the geographical regions where each CGU is located is based on the Company's annual budget and business plans for the next 10 years approved by the Board of Directors, as well as comparable market data, representing the management's best estimate as to current economic conditions during the useful economic lives of the group of assets generating cash flows. From the tests performed, the Company did not identify any impairment of the goodwill recorded.

17. Trade payables

	Company		**Consolidated**	
	2014	**2013**	**2014**	**2013**
Resale of goods - domestic market	**1,799,113**	1,650,884	**1,803,367**	1,655,106
Other trade payables	**17,939**	16,853	**18,803**	17,227
Present value adjustment	**(32,150)**	(20,790)	**(32,272)**	(20,790)
	1,784,902	1,646,947	**1,789,898**	1,651,543

(Amounts in thousands of Brazilian reais - R$)

18. Borrowings and financing

Type	Charge	Collaterals	Final maturity	Company 2014	Company 2013	Consolidated 2014	Consolidated 2013
Working capital (a)	107.5% to 116% of CDI	"Aval" guarantees and credit card receivables	Dec/19	**704,434**	692,430	**704,826**	692,668
Finance leases (b)	CDI/LIBOR	Fiduciary sale/ escrow deposits	Dec/19	**26,713**	18,677	**26,713**	18,677
Debentures - Restricted offer (d)	108.8 % to 114.5% of CDI	-	Nov/19	**957,549**	608,935	**957,549**	608,935
Innovation financing -FINEP- (c)	4% p.a.	Bank guarantee	Dec/22	**22,539**	-	**22,539**	-
				1,711,235	1,320,042	**1,711,627**	1,320,280
Current liabilities				**591,051**	424,989	**591,443**	425,227
Noncurrent liabilities				**1,120,184**	895,053	**1,120,184**	895,053

(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. Further details are disclosed in Note 28.

(b) The Company has finance lease contracts relating to: (i) aircraft, whose contract was entered into in 2005 and expires in 2016. For this contract, R$1,620 (equivalent to US$610 thousand) was deposited in escrow, recorded in line item "Other noncurrent assets," which will be redeemed on the final maturity of the contract. This deposit is adjusted for inflation, whose corresponding entry is recorded in profit (loss) for the period; (ii) IT equipment and software, whose contracts expire in 2019.

(c) The Company entered into a credit facility agreement with Study and Projects Financing Agency - FINEP, with the purpose of investing in technological innovation research and development projects, in the amount of R$44,968, to be released in four installments. Until December 31, 2014, the first two installments were released, totaling R$22,484.

(Amounts in thousands of Brazilian reais - R$)

18. Borrowings and financing (Continued)

(d) The Company issued the following unsecured nonconvertible debentures:

Issues	Principal amount R$	Issue date	Final maturity	Outstanding securities	Financial charges	Company and consolidated	
						2014	2013
1st issue - single series	200,000	12/26/2011	06/16/2017	200	113.0% of DI	**148,915**	199,982
2nd issue - 1st series	100,000	03/22/2013	03/22/2015	100	112.0% of DI	**102,475**	102,634
2nd issue - 2nd series	100,000	03/22/2013	03/22/2016	100	114.5% of DI	**102,552**	102,711
3rd issue - single series	200,000	10/21/2013	10/21/2016	20,000	108.8% of DI	**202,858**	203,608
4th issue - single series	400,000	05/30/2014	05/30/2019	40,000	112.0% of DI	**400,749**	-
						957,549	608,935

In addition, the Company entered into credit facility agreements with Banco do Nordeste do Brasil S.A. (“BNB”), aiming at renovating the stores in the Northeast region and build a new Distribution Center in the city of Candeias (BA). The agreements totaled R$68,013, at the cost of 7% p.a., to be released during 2015. Until December 31, 2014, no amount has been released.

(Amounts in thousands of Brazilian reais - R$)

18. Borrowings and financing (Continued)

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

i) Banco do Brasil: maintenance of the adjusted net debt/EBITDA ratio below 3.0 times. Adjusted net debt means the sum of any and all bank loans, including debentures and excluding Compror and Vendor, less cash and cash equivalents added to credit card receivables.

ii) Brazilian Federal Savings Bank: maintenance of the net debt/EBITDA ratio below 3.5 times until 2013. As of 2014, on a half-yearly basis, the net debt/EBITDA ratio shall not exceed 3.0 times. Additionally, the evidence of use of funds raised through Capex plan and use of funds report are required.

The Company is found in compliance with the above-mentioned covenants at December 31, 2014.

19. Deferred revenue

	Company and Consolidated	
	2014	**2013**
Deferred revenue with third parties:		
Exclusive dealing agreement with Banco Itaúcard (a)	**159,000**	171,501
Exploration right agreement - payroll (b)	**4,645**	5,806
Sales agreement - Cardif (c)	**22,000**	31,359
Exploration right agreement - technological assistance (e)	**1,750**	-
	187,395	208,666
Deferred revenue from related parties:		
Exclusive dealing agreement with Luizacred (d)	**166,205**	177,292
Total deferred revenue	**353,600**	385,958
Current liabilities	**37,734**	36,734
Noncurrent liabilities	**315,866**	349,224

(a) On September 27, 2009, the Company entered into a partnership agreement with financial institutions Itaú Unibanco Holding S.A. ("Itaú") and Banco Itaucard S.A., under which the Company grants to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its store chain for a 20-year period.

As consideration for the aforementioned alliance, Itaú group companies paid in cash R$250,000, of which: (i) R$230,000 relating to the completion of the negotiation, without right of recourse; and (ii) R$20,000 subject to the achievement of profitability targets in Luizacred, subject to refund of a portion or all the amount, to be allocated to profit (loss) over the term of the contract, i.e., 20 years, as targets are achieved.

19. Deferred revenue (Continued)

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

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

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

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

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

20. Provision for tax, civil and labor contingencies

Accounting Policy

The provision for tax, civil and labor contingencies is recorded based on legal opinions and the management's assessment on the lawsuits known at the end of the reporting period, for the risks deemed as probable loss**. See Note 4-g**.

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:

(Amounts in thousands of Brazilian reais - R$)

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

Parent Company

	Tax	Civil	Labor	Total
Balance at January 1, 2013	151,485	10,098	24,444	186,027
Additions	55,346	3,378	6,500	65,224
Reversals	(17,896)	-	-	(17,896)
Payments	(14,964)	(3,071)	(1,824)	(19,859)
Inflation Adjustments	12,950	-	-	12,950
Balance at December 31, 2013	186,921	10,405	29,120	226,446
Additions	**36,269**	**16,316**	**6,501**	**59,086**
Reversals	**(10,875)**	**-**	**(8,315)**	**(19,190)**
Payments	**(18,563)**	**(9,599)**	**(4,414)**	**(32,576)**
Inflation Adjustments	**12,459**	**-**	**-**	**12,459**
Balance at December 31, 2014	**206,211**	**17,122**	**22,892**	**246,225**

Consolidated

	Tax	Civil	Labor	Total
Balance at January 1, 2013	151,485	11,292	24,776	187,553
Additions	55,346	3,778	6,540	65,664
Addition due to subsidiary acquisition	16,284	-	2,751	19,035
Reversals	(17,896)	(848)	(9)	(18,753)
Payments	(14,964)	(3,571)	(2,032)	(20,567)
Inflation Adjustments	12,950	-	-	12,950
Balance at December 31, 2013	203,205	10,651	32,026	245,882
Additions	**36,887**	**16,402**	**6,641**	**59,930**
Reversals	**(10,875)**	**(9)**	**(8,968)**	**(19,852)**
Payments	**(18,563)**	**(9,715)**	**(4,450)**	**(32,728)**
Inflation Adjustments	**12,459**	**-**	**-**	**12,459**
Balance at December 31, 2014	**223,113**	**17,329**	**25,249**	**265,691**

As of December 31, 2014, the Company's main lawsuits classified by management as probable loss based on the opinion of its legal counsel, as well as legal obligations whose amounts are deposited in court, for which the amounts were included in the provision for contingencies, are as follows:

a) Tax lawsuits

i) The Company discusses on an administrative and legal basis several tax claims classified as probable loss, therefore, these are accrued, which involve federal taxes, totaling R$3,570 at December 31, 2014 (R$8,737 at December 31, 2013), state taxes, totaling R$20,043 at December 31, 2014 (R$21,629 at December 31, 2013) and municipal taxes totaling R$79 (R$81 at December 31, 2013).

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

a) Tax lawsuits (Continued)

ii) The Company also has other lawsuits to which escrow deposits are made, as well as other provisions for business combination, which involve federal taxes, totaling R$182,662 at December 31, 2014 (R$154,070 at December 31, 2013), state taxes, totaling R$16,745 at December 31, 2014, (R$18,401 at December 31, 2013) and municipal taxes totaling R$14 (R$287 at December, 2013).

b) Civil lawsuits

Consolidated civil contingencies of R$17,329 at December 31, 2014 (R$10,651 at December 31, 2013) are related to claims filed by customers on possible product defects.

c) Labor lawsuits

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

The accrued amount of R$25,249 at December 31, 2014 (R$32,026 at December 31, 2013) in consolidated reflects the risk of probable loss assessed by the Company's management jointly with its legal counsel.

In order to deal with tax, civil and labor contingencies, the Company has a balance in escrow deposits of R$209,648 at December 31, 2014 (R$170,080 at December 31, 2013).

The Company is a party to other lawsuits that were assessed by management, based on the opinion of its legal counsel, as possible losses and, therefore, no provision was recognized for such lawsuits. The amounts related to lawsuits involving federal taxes sum up R$296,062 at December 31, 2014 (R$265,444 at December 31, 2013), in relation to state taxes these amounts sum up R$117,546 at December 31, 2014 (R$122,873 at December 31, 2013) and as to municipal taxes these amounts sum up R$564 at December 31, 2014 (R$348 at December 31, 2013).

The Company also challenges civil and labor administrative lawsuits, with likelihood of possible loss, whose amounts are immaterial for disclosure.

(Amounts in thousands of Brazilian reais - R$)

21. Equity

a) Capital stock

At December 31, 2014, the Company's ownership structure is reported as follows, all shares are non-par, book-entry, registered common shares:

	Number of shares	Interest %
Controlling shareholders	**127,392,381**	**70.19**
Outstanding shares	**51,709,386**	**28.49**
Treasury shares	**2,392,700**	**1.32**
Total	**181,494,467**	**100.00**

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

b) Treasury shares

On April 24, 2014, the Company's Board of Directors approved:

(i) The conclusion of the Share Buyback Program created by the Company's Board of Directors on September 18, 2013 ("Program"). During the Program's effectiveness, the Company repurchased 5,000,000 shares, at the average cost of R$7.97, since in the first quarter of 2014, 2,500,000 of its shares were acquired to be held in treasury, at an average cost of R$7.58.

(ii) The cancellation of all treasury shares, i.e., 5,000,000 shares, without decreasing capital stock;

(iii) The creation of a new share buyback program.

In relation to this new program, the Company repurchased 2,392,700 of its shares to be held in treasury, at the average cost of R$8.44.

(Amounts in thousands of Brazilian reais - R$)

21. Equity (Continued)

c) Stock option plan

1st Granting of the Stock Option Plan

For this Stock Option Plan ("Plan"), the Group's management, employees or service providers are eligible to receive stock options. In the first granting of the Plan, at January 5, 2012, 2,250,000 call options were granted for R$10.32 (Plan 1) and 1,274,732 call options for R$13.60 (Plan 2).

Both types of plans will have eight-year duration as of their grant date. The options may be exercised, fully or partially, provided that the beneficiary remains continuously binding as manager or employee of the Company, between the grant date and the dates specified as follows. For Plan 1, 20% of the options may be exercised upon granting and, from this date, other 20% of the options may be exercised every year the beneficiary is bound to the Company. For Plan 2, 20% of the options may be exercised as of March 1, 2012 and, as of this date, other 20% may be exercised every year the beneficiary is bound to the Company. These options when exercised will be settled through the delivery of the Company's equity instruments.

2nd Granting of the Stock Option Plan

The second granting of the Stock Option Plan was approved on October 25, 2013. At that occasion, 1,213,476 options were granted and the strike price was defined at R$9.45. This plan will have a maximum exercise term of 12 years, as of the date of its signature, but the following grace period shall be observed: 25% of the options may be exercised as of October 29, 2014; 25% of the options may be exercised as of October 29, 2015; 25% of the options may be exercised as of October 29, 2016 and 25% of the options may be exercised as of October 29, 2017.

Fair value

Until December 31, 2014, no stock option of the first and second granting was exercised. The fair value of each option granted is estimated on the granting date by adopting the Black & Scholes pricing model, considering the following assumptions:

Assumption	1st Granting	2nd Granting
Expected average life of the options (a)	5.5 years	5.5 years
Average annualized volatility	43.5%	37.98%
Risk-free interest rate	10%	5.92%
Weighted average of fair value of options granted	R$6.63	R$6.06

(a) It represents the period when the options will be exercised and takes into account the average turnover of plan's beneficiaries.

(Amounts in thousands of Brazilian reais - R$)

21. Equity (Continued)

c) Stock option plan (Continued)

The effects of transactions with share-based payments were recorded in the profit or loss for the year, considering the fair value of stock options, resulting in an expense of R$4,664 for the year ended December 31, 2014 (R$2,820 at December 31, 2013). The following table shows the changes in the number of stock options and the strike price weighted average (MPPE):

	Amount	MPPE
Outstanding at January 1, 2014	4,738,208	10.98
With right barred by law in the year	(384,088)	12.14
Outstanding at December 31, 2014	4,354,120	10.88

The remaining weighted average contractual effectiveness for the remaining stock options at December 31, 2014 was 6.45 years (7.54 years at December 31, 2013). The weighted average fair value of the remaining stock options at December 31, 2014 was R$6.50 (R$6.49 at December 31, 2013).

d) Legal reserve

At December 31, 2014, the Company has recorded under this item the amount of R$16,143 (R$9,715 at December 31, 2013).

e) Dividends and interest on equity

The Company's Bylaws provides for the minimum mandatory dividend of 15% of adjusted net income pursuant to the Brazilian corporation law. In the year ended December 31, 2014, the management accrued R$4,319 referring to the mandatory minimum dividend. In addition, the Company's Board of Directors approved the distribution of Interest on Equity, to be attributed to the mandatory dividend, in the amount of R$14,000:

	2014	
Number of current shares	**181,494,467**	**181,494,467**
Treasury shares	**(2,392,700)**	**(2,392,700)**
Number of controlling shareholders' shares and outstanding	**179,101,767**	**179,101,767**
Proposed dividends and interest on equity	**4,319,165**	**14,000,000**
Proposed dividends and interest on equity per share	**0.0241**	**0.0782**

(Amounts in thousands of Brazilian reais - R$)

21. Equity (Continued)

f) Earnings per share

The single financial instrument the Company has that may dilute profit is the stock option plan. Considering that the average market price of outstanding shares is lower than the strike price of the stock options granted, in the period between the stock option plan grants and December 31, 2014, the dilution effect of the earnings per share is not affected:

	2014	2013
Profit (loss) for the years attributable to the Company's owners	**128,556**	113,806
Weighted average of common shares	**184,553**	186,239
Basic and diluted earnings per share (in Brazilian reais)	**0.70**	0.61

22. Net sales revenue

Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable, less returns, discounts and rebates and sales taxes, as follows:

Products Resale - Revenue is recognized when products are delivered and their legal ownership is transferred, also considering that the following conditions have been met:

- Transfer to the buyer of significant risks and benefits related to the ownership of products;
- No continued involvement in the management of products resold at level usually associated with the ownership, nor effective control over these products;
- Revenue can be reliably measured;
- It is likely that the economic benefits associated with the transaction may flow to the Company or to the Group; and
- Costs incurred or to be incurred related to the transaction can be reliably measured.

Service revenue - is determined by the intermediation of financial services to its joint ventures and other related companies of the Company and is recognized when it is likely that significant benefits to the service rendered will flow to the Company.

Consortium management - In the subsidiary Luiza Administradora de Consórcios, revenue from management fees of the consortium groups is monthly recognized upon effective receipt of installments from the consortium members, which, for the consortium management activities, represent the effective period of service rendered.

(Amounts in thousands of Brazilian reais - R$)

22. Net sales revenue (Continued)

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Gross revenue:				
Retail - resale of goods	**10,928,547**	9,261,713	**10,955,162**	9,265,629
Retail - services rendered	**483,438**	373,750	**506,163**	388,324
Consortium management	**-**	-	**43,334**	38,463
	11,411,985	9,635,463	**11,504,659**	9,692,416
Taxes and returns:				
Resale of goods	**(1,655,185)**	(1,550,372)	**(1,656,985)**	(1,550,498)
Services rendered	**(64,514)**	(50,106)	**(68,289)**	(53,479)
	(1,719,699)	(1,600,478)	**(1,725,274)**	(1,603,977)
Net sales revenue	**9,692,286**	8,034,985	**9,779,385**	8,088,439

23. Cost of goods resold and services rendered

Accounting Policy

Costs of resold goods and services rendered include costs related to the acquisition of goods and services rendered, less costs recovered from suppliers and recoverable ICMS tax replacement. Freight expenses related to transportation of suppliers' goods to the distribution centers ("CDs") are incorporated into the cost of goods to be resold.

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Costs:				
Goods resold	**(7,066,328)**	(5,817,669)	**(7,072,698)**	(5,820,346)
Services rendered	**-**	-	**(14,211)**	(5,098)
	(7,066,328)	(5,817,669)	**(7,086,909)**	(5,825,444)

24. 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:

(Amounts in thousands of Brazilian reais - R$)

24. Information on the nature of expenses and other operating income (Continued)

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Personnel expenses (a)	**(1,105,306)**	(1,026,200)	**(1,105,306)**	(1,026,200)
Service providers expenses	**(481,566)**	(378,998)	**(481,566)**	(378,998)
Other	**(544,054)**	(394,827)	**(577,417)**	(414,125)
Total	**(2,130,926)**	(1,800,025)	**(2,164,289)**	(1,819,323)

(a) The Group provides its employees with benefits, such as health care insurance, dental care refund, life insurance, food ticket, transportation ticket, scholarships, in addition to the Stock Option Plan for the eligible employees, as described in Note 21. Expenses arising from these benefits recorded in 2014 was R$126,040 for the parent company (R$120,665 in 2013) and R$127,507 in consolidated (R$121,410 in 2013). Additionally, the Group offers supplementary pension plan for all its employees. This supplementary pension plan is included in the defined contribution category, not generating any actuarial responsibility for the Group. The Group's contribution corresponds to 0.20% of the salary of participating employees and may be suspended at any time, as long as with prior notice to the participants. In 2014 and 2013, the contributions totaled R$536 and R$537, respectively. Participants can make voluntary and payroll-deductible contributions, without any consideration for the Group.

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Classified by function as:				
Selling expenses	**(1,737,443)**	(1,512,685)	**(1,746,258)**	(1,513,769)
General and administrative expenses	**(417,997)**	(385,391)	**(442,550)**	(403,722)
Other operating income, net (Note 25)	**24,514**	98,051	**24,519**	98,168
	(2,130,926)	(1,800,025)	**(2,164,289)**	(1,819,323)

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

25. Other operating income, net

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
(Loss) gain on sale of property and equipment (a)	**(1,229)**	125,424	**(1,229)**	125,424
Recognition of deferred revenue (b)	**35,358**	32,314	**35,358**	32,314
Provision for tax losses (c)	**(5,302)**	(40,574)	**(5,302)**	(40,574)
Non-recurring expenses (d)	**(5,051)**	(19,410)	**(5,051)**	(19,410)
Other	**738**	297	**743**	414
Total	**24,514**	98,051	**24,519**	98,168

(Amounts in thousands of Brazilian reais - R$)

25. Other operating income, net (Continued)

(a) On June 27, 2013, the Company sold 76.7% of the distribution center located in the municipality of Louveira (SP), recording a gain of R$126,554, as detailed in Note 15. The remaining balance of R$1,130 refers to loss on the sale of other property and equipment.

(b) Refers to the allocation of deferred revenue from the assignment of exploration rights, as described in Note 19.

(c) In 2013, the Company adhered to the installment payment of tax debts of the State of São Paulo and Attorney General of the National Treasury. At the same time, the Company, jointly with its legal counselors, reviewed the lawsuits challenged at court, as to their chances of success or loss, which affected the provision for tax contingencies.

(d) Expenses referring to stores shutting-down. In 2013, it substantially referred to provisions and write-offs deriving from acquired chain merger process.

26. Financial income (expenses), net

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Finance income:				
Interest on extended warranty sales	**63,232**	48,766	**63,232**	48,766
Income from short-term financial investments and securities	**35,310**	28,402	**6,797**	7,003
Interest on sale of goods - interest on delay in receivables	**5,292**	3,725	**5,292**	3,725
Exchange gains	**168**	33	**168**	33
Discount obtained	**18,958**	9,285	**18,958**	9,285
Other	**2,022**	586	**2,022**	586
	124,982	90,797	**96,469**	69,398
Finance expenses:				
Interest on borrowings and financing	**(184,765)**	(133,160)	**(184,788)**	(133,160)
Charges on credit card advances	**(219,247)**	(134,577)	**(219,774)**	(134,577)
Provision for interest on extended warranty	**(36,600)**	(29,044)	**(36,600)**	(29,044)
Exchange losses	**(463)**	(439)	**(463)**	(439)
Other	**(15,473)**	(15,953)	**(15,586)**	(16,140)
	(456,548)	(313,173)	**(457,211)**	(313,360)
Net financial result	**(331,566)**	(222,376)	**(360,742)**	(243,962)

27. 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:

(Amounts in thousands of Brazilian reais - R$)

27. 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

	2014			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	**11,468,744**	**873,140**	**165,310**	**43,334**
Revenue deductions	**(1,721,499)**	**-**	**-**	**(3,775)**
Segment net revenue	**9,747,245**	**873,140**	**165,310**	**39,559**
Costs	**(7,080,117)**	**(113,633)**	**(17,791)**	**(14,211)**
Gross profit	**2,667,128**	**759,507**	**147,519**	**25,348**
Selling expenses	**(1,746,258)**	**(288,400)**	**(122,747)**	**-**
General and administrative expenses	**(421,993)**	**(2,333)**	**(22,112)**	**(20,557)**
Result from allowance for doubtful accounts	**(22,547)**	**(325,521)**	**-**	**-**
Depreciation and amortization	**(114,017)**	**(6,515)**	**(3)**	**(315)**
Equity in earnings (losses) of subsidiaries	**103,643**	**-**	**-**	**-**
Other operating income	**24,514**	**11,976**	**149**	**5**
Financial income (expenses), net	**(362,301)**	**-**	**12,448**	**1,559**
Income tax and social contribution	**387**	**(58,322)**	**(6,026)**	**(2,017)**
Net income (loss) for the year	**128,556**	**90,392**	**9,228**	**4,023**

Equity accounting reconciliation	
Equity in the earnings of LAC (Note 13)	**4,023**
Equity in the earnings of Luizacred (Note 14)	**90,392**
Equity in the earnings of Luizaseg (Note 14)	**9,228**
(=) Equity accounting of retail segment	**103,643**
(-) Elimination effect - LAC	**(4,023)**
(=) Consolidated equity in the earnings of subsidiaries	**99,620**

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

(Amounts in thousands of Brazilian reais - R$)

27. Segment reporting (Continued)

Statement of income (Continued)

	2013			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	9,661,707	739,792	108,895	38,463
Revenue deductions	(1,600,604)	-	-	(3,373)
Segment net revenue	8,061,103	739,792	108,895	35,090
Costs	(5,820,346)	(77,907)	(10,026)	(12,852)
Gross profit	2,240,757	661,885	98,869	22,238
Selling expenses	(1,513,769)	(253,421)	(76,166)	-
General and administrative expenses	(385,851)	(2,161)	(14,710)	(17,871)
Result from allowance for doubtful accounts	(21,212)	(332,180)	-	-
Depreciation and amortization	(101,652)	(6,551)	(16)	(306)
Equity in earnings (losses) of subsidiaries	57,768	-	-	-
Other operating income	98,116	5,797	6	52
Financial income (expenses), net	(244,794)	-	8,304	832
Income tax and social contribution	(15,557)	(28,779)	(6,413)	(1,641)
Net income (loss) for the year	113,806	44,590	9,874	3,304

Equity accounting reconciliation	
Equity in the earnings of LAC (Note 13)	3,304
Equity in the earnings of Luizaseg (Note 14)	44,590
Equity in the earnings of Luizacred (Note 14)	9,874
(=) Equity accounting of retail segment	57,768
(-) Elimination effect - LAC	(3,304)
(=) Consolidated equity in the earnings of subsidiaries	54,464

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

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

(Amounts in thousands of Brazilian reais - R$)

27. Segment reporting (Continued)

Statements of financial position

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

Investment reconciliation	
Investment in subsidiaries	
Investment in LAC (Note 13)	15,499
Investment in joint ventures	
Investment in Luizacred (Note 14)	280,566
Investment in Luizaseg (Note 14)	39,038
	319,604
Total investments	335,103
(-) Elimination effect - LAC	(15,499)
(=) Result from consolidated investment	319,604

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

(Amounts in thousands of Brazilian reais - R$)

27. Segment reporting (Continued)

Statements of financial position

	2013			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Assets				
Cash and cash equivalents	278,397	5,453	42	1,909
Securities	477,210	5,410	119,229	14,078
Trade receivables	535,303	1,803,071	-	-
Inventories of goods for resale	1,251,362	-	-	-
Investments	265,324	-	-	-
Property and equipment and intangible assets	1,020,778	94,436	3	-
Other	879,948	111,834	31,370	3,847
	4,708,322	2,020,204	150,644	19,834
Liabilities				
Trade payables	1,651,169	-	1,909	374
Borrowings and financing	1,320,280	-	-	-
Interbank deposits	-	1,077,961	-	-
Credit card operations	-	632,854	-	-
Insurance reserves	-	-	81,436	-
Provision for contingencies	245,481	23,538	94	401
Deferred revenue	385,958	7,500	-	-
Other	410,823	65,850	27,959	5,483
	4,013,711	1,807,703	111,398	6,258
Equity	694,611	212,501	39,246	13,576

Investment reconciliation	
Investment in subsidiaries	
Investment in LAC (Note 13)	13,576
Investment in joint ventures	
Investment in Luizacred (Note 14)	212,501
Investment in Luizaseg (Note 14)	39,246
	251,747
Total investments	265,323
(-) Elimination effect in consolidated	(13,576)
(=) Result from consolidated investment	251,747

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

(Amounts in thousands of Brazilian reais - R$)

28. 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 investments in new stores, refurbishment and remodeling of existing stores.

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 the assets resulting from this ratio are higher than the liabilities.

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

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

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Borrowings and financing	**1,711,235**	1,320,042	**1,711,627**	1,320,280
(-) Cash and cash equivalents	**(391,763)**	(278,006)	**(412,170)**	(280,306)
(-) Securities	**(450,979)**	(477,210)	**(450,979)**	(491,288)
Net debt	**868,493**	564,826	**848,478**	548,686
Equity	**754,467**	694,611	**754,467**	694,611

(Amounts in thousands of Brazilian reais - R$)

28. Financial instruments (Continued)

Categories of financial instruments

	Company		Consolidated	
	2014	**2013**	**2014**	**2013**
Financial assets				
Loans and receivables:				
Cash and banks	**66,546**	53,251	**66,820**	55,551
Escrow deposits	**209,648**	170,080	**209,648**	170,080
Trade receivables	**621,605**	534,605	**623,296**	535,303
Related parties	**93,895**	109,474	**93,220**	108,895
Held for trading:				
Cash equivalents and securities	**776,196**	701,965	**796,329**	716,043
Financial liabilities:				
Amortized cost:				
Borrowings and financing	**1,711,235**	1,320,042	**1,711,627**	1,320,280
Trade payables	**1,784,902**	1,646,947	**1,789,898**	1,651,543
Related parties	**80,525**	73,716	**80,305**	73,619
Taxes paid in installments	**6,504**	8,286	**6,504**	8,286

Fair value measurement

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

The fair value of other financial instruments described above allows approximating their carrying amounts based on the existing payment conditions. The Company has no outstanding assets or liabilities where the fair value could be measured by using non-observable significant information (Level 3) as at December 31, 2014 and December 31, 2013.

Liquidity risk management

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

(Amounts in thousands of Brazilian reais - R$)

28. Financial instruments (Continued)

Liquidity risk management (Continued)

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

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

	Less than one year	From one to three years	Over three years	Total
Trade payables	1,789,898	-	-	1,789,898
Borrowings and financing	591,443	944,029	176,155	1,711,627
Related parties	80,305	-	-	80,305
Other payables (former members of Época Cosméticos)	8,000	-	-	8,000
Taxes paid in installments	6,504	-	-	6,504

Considerations on risks

The Group's businesses mainly comprise 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$461,215 as at December 31, 2014 (R$432,140 as at December 31, 2013). 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. In cases in which the concentration of billed amounts is greater, the risk is managed by means of periodic analysis of default rate and the adoption of more efficient collection measures. As at December 31, 2014, the Group recorded past-due or uncollectible balances under "trade receivables," whose terms were renegotiated, in the amount of R$15,182 (R$11,652 as at December 31, 2013), 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, determining limits for derivative transactions, and constantly monitoring assumed positions. Main related risks are variations in the interest and foreign exchange rates.

28. Financial instruments (Continued)

Considerations on risks (Continued)

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

Foreign exchange rate risk management: the Company uses derivatives to meet its market risk management requirements, arising from mismatching between currencies and indices. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approved by the Group's Board of Directors. In this scenario, the Company raised foreign currency-denominated loans bearing interest, 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. This is a matched transaction, which consists formally of a loan agreement, and a swap transaction entered into on the same date, with the same maturity and counterparty and that should be settled by its net value. Thus, management believes that, in substance, this is a loan transaction denominated in local currency, subject to a certain interest rate; accordingly, the accounting treatment and related disclosures reflect the substance of the transaction.

Below, a description of agreements that affected profit or loss for the year ended December 31, 2014:

			Bank index		Company index	
Instrument	**Notional value**	**Fair value through gain (loss) on swap**	**Index**	**Average Interests**	**Index**	**Average % above CDI**
		(a)				
Borrowings	R$229,633	R$221,440	US$	2.47%	CDI	108.5%

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

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

(Amounts in thousands of Brazilian reais - R$)

28. Financial instruments (Continued)

Sensitivity analysis of financial instruments

As of December 31, 2014, management carried out a sensitivity analysis, taking into account a 25 and 50 percent increase in the expected interest rates (probable scenario), 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 reporting period (March 31, 2015) are as follows:

	Probable rate	Probable Scenario I	Scenario II (+ 25%)	Scenario III (+ 50%)
Interest to be incurred exposed to:				
CDI	**12.50%**	**(46,143)**	**(57,678)**	**(69,214)**
Impact on financial result, net of taxes		**(30,454)**	**(38,067)**	**(45,681)**

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 tied to swap transactions, so that these loans are recorded in local currency. Accordingly, changes in swap instruments and borrowings and financing are offset.

29. Business combination

Acquisitions in 2013

Campos Floridos Comércio de Cosméticos Ltda. - "Época Cosméticos"

On October 2, 2013, the Group acquired 100% of the shares of Campos Floridos Comércio de Cosméticos Ltda. ("Campos Floridos"), a closely-held company with head offices in Brazil, specialized in e-commerce of perfumes and cosmetics.

The Company acquired Campos Floridos to reinforce its expansion strategy and consolidation of e-Commerce in a segment with attractive margins that significantly grows in Brazil and brings customer flow to the website, given the lower average ticket and the higher repo rate. Furthermore, it represents an opportunity to increase the number of products that can be sold in other channels, such as Magazinevocê.

(Amounts in thousands of Brazilian reais - R$)

29. Business combination (Continued)

Acquisitions in 2013 (Continued)

Campos Floridos Comércio de Cosméticos Ltda. - "Época Cosméticos" (Continued)

The fair value of the identifiable assets and liabilities of Campos Floridos on the acquisition date is as follows:

Assets	**Fair value recognized upon acquisition**
Current assets	
Cash and cash equivalents	290
Trade receivables	2,239
Inventories	2,608
	5,137
Noncurrent assets	
Intangible assets	5,673
	5,673
Total assets	**10,810**

Liabilities	**Fair value recognized upon acquisition**
Current liabilities	
Trade payables	2,589
Payroll and charges	362
Taxes payable	105
Other payables	21
	3,077
Noncurrent liabilities	
Borrowings	1,062
Provision for contingencies	19,035
	20,097
Total liabilities	**23,174**
Total net identifiable liabilities	**(12,364)**
Goodwill on acquisition	36,826
Total consideration	**24,462**

(Amounts in thousands of Brazilian reais - R$)

29. Business combination (Continued)

Acquisitions in 2013 (Continued)

Campos Floridos Comércio de Cosméticos Ltda. - "Época Cosméticos" (Continued)

Cash flow upon acquisition

Cash paid- former quotaholders	(13,600)
Cash paid- capital increase	(400)
Price adjustment	1,538
Cash outflow	**(12,462)**
Net cash acquired with subsidiary	290
Net cash outflow	**(12,172)**

Assets acquired and liabilities assumed

The fair value of intangible assets is R$5,673, R$3,387 referring to the trademark, R$1,740 to goodwill and R$546 to software. Intangible assets identified through an independent evaluation were: (i) Trademark in the amount of R$2,987; (ii) Goodwill in the amount of R$1,740.

Campos Floridos Comércio de Cosméticos Ltda. recorded a provision for tax and labor contingencies (Note 16) of R$19,035, before business combination, thus covering the risks of future disbursement.

The goodwill paid corresponding to R$36,826 includes the amount of future economic benefits deriving from synergies due to the acquisition and the amount of investee's customers list which could not be recognized separately.

Acquisition corresponding entry

Cash (a)	17,600
Capital increase (b)	400
Price adjustment	(1,538)
Balances payable - other accounts payable(a)	8,000
Total	**24,462**

(a) According to the purchase agreement, the purchase price was R$25,600 to be paid with a first installment of R$13,600 on the closing date, and the remaining balance of up to R$12,000 to be paid in two installments, namely: (i) the first installment of R$4,000, paid on the date of the first anniversary of the closing date and (ii) the second installment, of up to R$8,000 to be paid on the date of the second anniversary of the closing date; and the latter is subject to the compliance with certain contractual conditions.

(b) According to the purchase agreement, the Company increased the capital of Campos Floridos on the closing date so that it could acquire the "Época Cosméticos" brand.

30. Leasing commitments

Accounting Policy

Assets acquired through financial lease are initially recognized as property and equipment at their fair value when lease starts or, if lower, by the present value of the minimum lease payment. The corresponding liability to the lessor is stated in the financial statements as an obligation with finance lease.

Assets held through financial lease are depreciated by their estimated useful lives likewise own assets or for a shorter period, where applicable, according to the terms of the lease agreement under consideration.

Payments referring to financial lease are distributed between financial charges and liability reduction, so that to achieve a constant interest rate in relation to the liability's remaining balance.

Payments referring to operating lease are recognized as expenses by the straight-line method during the effectiveness period of the agreement, except when another system is more representative in order to reflect when the economic benefits from leased assets are earned. Contingent payments arising from operating lease are recognized as expenses in the year or period in which these are incurred.

Operating lease - lease agreements

The Company has several property lease agreements with related parties (MTG Administração e Participações S.A. and PJD Agropastoril Ltda.) and with third parties, whose average term is five years, renewable for another five years. The management analyzed these agreements and concluded that these are classified as operating lease.

These agreements establish fixed or variable lease amounts, based on a percentage over net sales, according to the contractual forms. At December 31, 2014, the Company had 756 stores (744 stores in 2013) and eight leased Distribution Centers. For these lease agreements, expenses of R$262,696 were recorded in the year ended December 31, 2014 (R$227,256 in 2013).

(Amounts in thousands of Brazilian reais - R$)

30. Leasing Commitments (Continued)

Operating lease - lease agreements (Continued)

Future commitments deriving from these adjusted agreements amount to in the following five years:

Year	Amount
2015	**294,054**
2016	**312,285**
2017	**331,741**
2018	**348,992**
2019	**366,442**
Total	**1,653,514**

Financial lease agreements

	Minimum Payments	
	Company and Consolidated	
	2014	**2013**
Within one year	**13,541**	8,032
Between two and five years	**17,426**	13,196
Over five years	**-**	103
	30,967	21,331
Less: finance income not incurred	**(4,254)**	(2,654)
Present value of minimum payments	**26,713**	18,677

In 2005, the Company acquired an aircraft unit through a finance lease contract with final maturity in 2016, subject to foreign exchange variation and bearing the LIBOR rate (see further information in Note 18b). No financial instruments were contracted to hedge against the risk related to foreign exchange variations set out in such agreement.

Below, the amount of assets, net of accumulated depreciation, acquired through financial lease:

Type of assets	2014	2013
Computers and peripherals	**7,229**	10,817
Vehicles	**10,594**	12,801
Software	**21,025**	5,725
Machinery and equipment	**362**	3,839
Total	**39,210**	33,182

In the reported periods, we did not identify any event that could indicate the need for making calculations in order to assess any impairment of these assets.

(Amounts in thousands of Brazilian reais - R$)

31. Statements of Cash Flows

Below are the changes in equity, which did not affect the Company's cash flows:

	Company and Consolidated	
	2014	**2013**
Dividends proposed by subsidiaries and joint ventures and not received	**4,632**	25,886
Dividends declared and Interest on Equity unpaid in the year	**18,319**	16,219
Payables to third parties due to the acquisition of investment in subsidiary	**-**	12,000
Other comprehensive income	**382**	1,725

32. 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 any losses on its assets and/or liabilities.

As of December 31, 2014 and 2013, insurance coverage is as follows:

	2014	**2013**
Civil liability and D&O	**41,000**	40,000
Sundry risks - inventories and property and equipment	**1,740,372**	1,489,041
Vehicles	**17,832**	18,369
	1,799,204	1,547,410