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

Interim Financial Information

Magazine Luiza S.A.

March 31, 2014

Magazine Luiza S.A.

Interim Financial Information

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Building a better
working world

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

Independent auditor's report on review of interim financial information

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2014, which comprises the balance sheet (statement of financial position) as of March 31, 2014, and the related statement of income comprehensive income for three months ended on that and the statements of changes in equity, and statements of cash flows for the three months ended, including the notes to financial statements.

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

Scope of review

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

Conclusion on the individual interim financial information

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

Conclusion on the consolidated interim financial information

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

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the three-month period ended March 31, 2014, prepared under the Management's responsibility, the presentation of which in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Financial Information (ITR), and considered supplementary information by IFRS, which do not required the presentation of an SVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information taken as a whole.

São Paulo, May 6, 2014.

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

Alexandre Rubio
Accountant CRC -1SP223361/O-2

Patricia Nakano Ferreira
Accountant CRC -1SP234620/O-4

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

Magazine Luiza S.A.

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

		Company		Consolidated	
	Note	**03/31/2014**	**12/31/2013**	**03/31/2014**	**12/31/2013**
Assets					
Current assets					
Cash and cash equivalents	4.1	**232,989**	278,006	**235,278**	280,306
Securities	4.2	**291,883**	477,210	**306,269**	491,288
Trade accounts receivable	5	**509,535**	529,922	**510,038**	530,620
Inventories	6	**1,260,976**	1,247,205	**1,263,953**	1,251,362
Related parties	7	**82,770**	109,474	**82,030**	108,895
Taxes recoverable	8	**224,389**	218,554	**224,389**	218,554
Other assets		**54,697**	39,872	**56,023**	40,965
Total current assets		**2,657,239**	2,900,243	**2,677,980**	2,921,990
Non-current assets					
Trade receivables	5	**3,623**	4,683	**3,623**	4,683
Deferred income tax and social contribution	9	**141,775**	139,253	**141,991**	139,427
Taxes recoverable	8	**149,966**	158,761	**149,966**	158,761
Escrow deposits		**178,335**	170,080	**178,335**	170,080
Other assets		**44,385**	43,858	**46,128**	45,402
Investments in subsidiaries	10	**39,747**	37,403	**-**	-
Investments in joint ventures	11	**266,008**	251,747	**266,008**	251,747
Property and equipment	12	**530,020**	539,729	**530,784**	540,444
Intangible assets	13	**437,564**	438,559	**480,383**	481,370
Total non-current assets		**1,791,423**	1,784,073	**1,797,218**	1,791,914
Total assets		**4,448,662**	4,684,316	**4,475,198**	4,713,904

	Note	Company		Consolidated	
		03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Liabilities and equity					
Current liabilities					
Trade payables	14	**1,527,109**	1,646,947	**1,528,393**	1,651,543
Borrowings and financing	15	**519,983**	424,989	**520,563**	425,227
Payroll, vacation pay and payroll charges		**153,651**	164,489	**155,419**	166,585
Taxes payable		**26,699**	40,971	**27,271**	41,664
Related parties	7	**61,648**	73,716	**61,553**	73,619
Taxes paid in installments		**7,692**	8,286	**7,692**	8,286
Deferred revenue	16	**36,734**	36,734	**36,734**	36,734
Dividends and interest on equity payable		**16,219**	16,219	**16,219**	16,219
Other payables		**116,767**	106,631	**118,000**	107,714
Total current liabilities		**2,466,502**	2,518,982	**2,471,844**	2,527,591
Non-current liabilities					
Borrowings and financing	15	**708,721**	895,053	**708,721**	895,053
Provision for tax, civil and labor contingencies	17	**235,517**	226,446	**254,969**	245,882
Deferred revenue	16	**341,287**	349,224	**341,287**	349,224
Other payables		**-**	-	**1,742**	1,543
Total non-current liabilities		**1,285,525**	1,470,723	**1,306,719**	1,491,702
Total liabilities		**3,752,027**	3,989,705	**3,778,563**	4,019,293
Equity	18				
Capital stock		**606,505**	606,505	**606,505**	606,505
Capital reserve		**6,755**	5,640	**6,755**	5,640
Treasury shares		**(39,827)**	(20,063)	**(39,827)**	(20,063)
Legal reserve		**9,715**	9,715	**9,715**	9,715
Profit retention reserve		**94,458**	94,458	**94,458**	94,458
Other comprehensive income		**(1,506)**	(1,644)	**(1,506)**	(1,644)
Net income for the period		**20,535**	-	**20,535**	-
Total equity		**696,635**	694,611	**696,635**	694,611
Total liabilities and equity		**4,448,662**	4,684,316	**4,475,198**	4,713,904

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.

Statement of income
For the periods ended March 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	**03/31/2014**	**03/31/2013**	**03/31/2014**	**03/31/2013**
Net sales revenue	19	**2,248,888**	1,756,627	**2,268,867**	1,765,608
Costs of goods resold and services rendered	20	**(1,644,752)**	(1,265,787)	**(1,648,866)**	(1,267,387)
Gross profit		**604,136**	490,840	**620,001**	498,221
Operating income (expenses)					
Selling	21	**(418,794)**	(355,073)	**(419,904)**	(355,073)
General and administrative	21	**(96,782)**	(89,467)	**(102,279)**	(93,995)
Doubtful accounts losses		**(4,725)**	(4,869)	**(4,725)**	(4,869)
Depreciation and amortization		**(26,922)**	(24,575)	**(27,030)**	(24,651)
Equity in the earnings (losses) of subsidiaries	10 and 11	**22,380**	10,527	**21,636**	10,036
Other operating income, net	21 and 22	**6,070**	8,408	**6,071**	8,423
		(518,773)	(455,049)	**(526,231)**	(460,129)
Operating income before financial expenses, net		**85,363**	35,791	**93,770**	38,092
Finance income		**28,971**	16,060	**21,008**	14,014
Finance expenses		**(95,292)**	(59,291)	**(95,373)**	(59,296)
Financial expenses, net	23	**(66,321)**	(43,231)	**(74,365)**	(45,282)
Operating income (loss) before income tax and social contribution		**19,042**	(7,440)	**19,405**	(7,190)
Current and deferred income tax and social contribution	9	**1,493**	8,242	**1,130**	7,992
Net income for the period		**20,535**	802	**20,535**	802
Net income attributable to:					
Owners of the company		**20,535**	802	**20,535**	802
Earnings per share					
Basic and diluted (R$ per share)		**0.11**	0.00	**0.11**	0.00

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.

Statement of comprehensive income
For the periods ended March 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Consolidated and Company	
	03/31/2014	**03/31/2013**
Net income for the period	**20,535**	802
Other comprehensive income deriving from previous periods		
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	**229**	(1,013)
Tax effect	**(91)**	405
Total	**138**	(608)
Total other comprehensive income for the period, net of taxes	**19,029**	275

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.

Statement of changes in equity
For the periods ended March 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Capital stock	Capital reserve	Treasury shares	Legal reserve	Profit retention reserve	Retained earnings/ (accumulated losses)	Other comprehensive income	Total
Balances as at December 31, 2012	606,505	2,820	-	4,025	2,561	-	81	615,992
								-
Stock option plan	-	705	-	-	-	-	-	705
Net income for the period	-	-	-	-	-	802	-	802
	606,505	3,525	-	4,025	2,561	802	81	617,499
Other comprehensive income:								
Financial instruments adjustment	-	-	-	-	-	-	(608)	(608)
Balances as at March 31 , 2013	**606,505**	**3,525**	**-**	**4,025**	**2,561**	**802**	**(527)**	**616,891**
Balances as at December 31, 2013	**606,505**	**5,640**	**(20,063)**	**9,715**	**94,458**	**-**	**(1,644)**	**694,611**
								-
Stock option plan		**1,115**						**1,115**
Treasury shares			**(19,764)**					**(19,764)**
Net income for the period						**20,535**		**20,535**
	606,505	**6,755**	**(39,827)**	**9,715**	**94,458**	**20,535**	**(1,644)**	**696,497**
Other comprehensive income								
Financial instrument adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**138**	**138**
Balances as at March 31 , 2014	**606,505**	**6,755**	**(39,827)**	**9,715**	**94,458**	**20,535**	**(1,506)**	**696,635**

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.

Statement of cash flows
For the periods ended March 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Cash flow from operating activities					
Net income for the period		**20,535**	802	**20,535**	802
Adjustments to reconcile net income for the period to cash generated from operating activities:					
Income tax and social contribution expenses recognized in P&L	9	**(1,493)**	(8,242)	**(1,130)**	(7,992)
Depreciation and amortization		**26,922**	24,575	**27,030**	24,651
Interest on borrowings and financing provisioned		**34,504**	21,857	**34,504**	21,857
Yield on securities		**(8,430)**	(2,215)	**(8,753)**	(2,215)
Equity in the earnings (losses) of subsidiaries	10 and 11	**(22,380)**	(10,527)	**(21,636)**	(10,036)
Changes in provision for impairment of assets		**18,369**	14,583	**18,369**	14,978
Provision for tax, civil and labor contingencies	17	**11,523**	9,960	**11,554**	10,049
Write-off of property and equipment, net of gains from sale		**110**	177	**110**	177
Appropriation of deferred revenue	22	**(7,937)**	(8,567)	**(7,937)**	(8,567)
Stock option plan expenses		**1,115**	705	**1,115**	705
(Increase) decrease in operating assets:					
Receivables		**9,456**	25,829	**9,651**	23,792
Securities		**-**	(71)	**193,772**	(347,631)
Inventories		**(20,151)**	88,104	**(18,971)**	89,746
Related parties		**10,520**	(13,824)	**10,681**	(13,954)
Taxes recoverable		**2,960**	11,042	**2,960**	11,042
Other assets		**(23,476)**	(33,607)	**(23,907)**	(33,946)
Increase (decrease) in operating liabilities:					
Trade payables		**(119,838)**	(156,617)	**(123,150)**	(156,462)
Payroll, vacation pay and related charges		**(10,838)**	(21,984)	**(11,166)**	(22,434)
Taxes payable		**(15,301)**	(27,663)	**(15,335)**	(27,581)
Related parties		**(12,068)**	(9,549)	**(12,066)**	(9,549)
Taxes paid in installments		**(594)**	(718)	**(594)**	(718)
Other payables		**7,684**	30,980	**8,018**	30,973
Cash provided by (used in) operating activities		**(98,808)**	(64,970)	**93,654**	(412,313)
Income tax and social contribution paid		**-**	-	**(492)**	-
Dividends received from subsidiaries		**23,697**	12,274	**23,697**	10,274
Net cash provided by (used in) operating activities		**(75,111)**	(52,696)	**116,859**	(402,039)
Cash flows from investing activities					
Purchase of property and equipment	12	**(8,606)**	(18,935)	**(8,703)**	(18,957)
Purchase of intangible assets	13	**(7,851)**	(8,322)	**(7,920)**	(8,327)
Investments in exclusive investment fund		**(346,941)**	(543,126)	**-**	-
Redemptions from exclusive investment fund		**540,698**	195,566	**-**	-
Advance for future capital increase (AFAC) in subsidiary		**(1,600)**	-	**-**	-
Cash deriving from (used in) investing activities		**175,700**	(374,817)	**(16,623)**	(27,284)
Cash flow from financing activities					
Borrowings and financing		**-**	202,460	**537**	202,460
Payment of borrowings and financing		**(93,147)**	(17,765)	**(93,342)**	(17,765)
Repayment of interest on borrowings and financing		**(32,695)**	(21,975)	**(32,695)**	(21,975)
Treasury shares acquired		**(19,764)**	-	**(19,764)**	-
Cash flows deriving from financing activities		**(145,606)**	162,720	**(145,264)**	162,720
Decrease in cash and cash equivalents		**(45,017)**	(264,793)	**(45,028)**	(266,603)
Cash and cash equivalents at the beginning of the period		**278,006**	404,143	**280,306**	418,879
Cash and cash equivalents at the end of the period		**232,989**	139,350	**235,278**	152,276
Decrease in cash and cash equivalents		**(45,017)**	(264,793)	**(45,028)**	(266,603)

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.

Statement of value added
For the periods ended March 31, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Revenue				
Goods and products sold and services rendered	**2,536,542**	1,999,173	**2,557,463**	2,010,646
Allowance for doubtful accounts, net of reversals	**(4,725)**	(4,869)	**(4,725)**	(4,869)
Other operating revenues	**6,069**	17,008	**6,070**	17,023
	2,537,886	2,011,312	**2,558,808**	2,022,800
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	**(1,800,823)**	(1,379,489)	**(1,804,937)**	(1,382,783)
Material, electricity, outsourced services and other	**(203,442)**	(165,041)	**(206,841)**	(166,642)
Impairment of assets	**(6,380)**	(4,519)	**(6,380)**	(4,519)
	(2,010,645)	(1,549,049)	**(2,018,158)**	(1,553,944)
Gross value added	**527,241**	462,263	**540,650**	468,856
Depreciation and amortization	**(26,922)**	(24,575)	**(27,030)**	(24,651)
Net value added generated by the entity	**500,319**	437,688	**513,620**	444,205
Value added received through transfer				
Equity in the earnings of subsidiaries	**22,380**	10,527	**21,636**	10,036
Financial income	**28,971**	16,060	**21,008**	14,014
Total value added to distribute	**551,670**	464,275	**556,264**	468,255
Distribution of value added				
Personnel and charges:				
Direct compensation	**184,089**	156,899	**186,230**	158,872
Benefits	**34,088**	30,990	**34,276**	31,160
Government Severance Indemnity Fund for Employees (FGTS)	**16,549**	14,200	**16,784**	14,386
	234,726	202,089	**237,290**	204,418
Taxes, fees and contributions:				
Federal	**50,162**	70,378	**51,642**	71,644
State	**79,239**	72,281	**79,315**	72,281
Municipal	**8,653**	6,359	**8,937**	6,629
	138,054	149,018	**139,894**	150,554
Value distributed to providers of capital:				
Interest	**84,521**	51,748	**84,582**	51,748
Rentals	**63,064**	53,074	**63,173**	53,144
Other	**10,770**	7,544	**10,790**	7,589
	158,355	112,366	**158,545**	112,481
Value distributed to shareholders:				
Interest on equity	**-**	-	**-**	-
Dividends	**-**	-	**-**	-
Retained earnings	**20,535**	802	**20,535**	802
	551,670	464,275	**556,264**	468,255

The accompanying notes are an integral part of these financial statements.

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 and 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.

On March 31, 2014, the Company and its subsidiaries owned 744 stores (744 stores on December 31, 2013) and eight distribution centers (eight distribution centers on December 31, 2013), located in the South, Southeast, Mid-west and Northeast regions of Brazil.

The Company holds ownership interest in other companies, as described below:

(a) Luizacred S.A. - Sociedade de Crédito, Financiamento e Investimento ("Luizacred") - Subsidiary jointly controlled with Banco Itaúcard S.A., engaged in the offer, distribution and sale of financial products and services to the customers of Magazine Luiza's store chain;

(b) Luizaseg Seguros S.A. ("Luizaseg") - Subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., engaged in the development, sale and management of extended warranties for any kind of product sold in Brazil, to the customers of Magazine Luiza's store chain;

(c) Luiza Administradora de Consórcios Ltda. ("LAC") - Wholly-owned subsidiary engaged in the management of consortium groups created to purchase vehicles, motorcycles, home appliances and furniture.

(d) Campos Floridos Comércio de Cosméticos Ltda. ("Época Cosméticos") - Wholly-owned subsidiary engaged in selling perfume items, cosmetics, and dermocosmetics and hair care products via the Internet.

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

2. Basis of presentation and accounting practices

2.1. Accounting practices

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

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

The accounting practices adopted in preparing the individual and consolidated interim financial information are consistent with those adopted and disclosed in Note 2 to the financial statements for the year ended December 31, 2013. Accordingly, this interim financial information should be read jointly with the financial statements for the year ended December 31, 2013.

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

2.2. New standards, amendments and interpretations

a) Below, the new pronouncements which took effect as of January 1, 2014, but which did not have relevant effects on the Company.

(i) IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendment to IAS 32: these amendments clarify the meaning of "currently there is an enforceable legal right to offset the recognized amounts" and the criterion that would make the non-simultaneous settlement mechanisms of clearing houses to qualify for offset.

(ii) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27): they provide an exception to the consolidation requirements for entities complying with the definition of investment entity pursuant to IFRS10. Such exception requires investment entities to record the investments in subsidiaries by their fair values through profit or loss.

2. Basis of presentation and accounting practices (Continued)

2.2. New standards, amendments and interpretations (Continued)

a) Below, the new pronouncements which took effect as of January 1, 2014, but which did not have relevant effects on the Company (Continued)

(iii) IAS 39 Novation of Derivatives and Continuation of Hedge Accounting- Amendment to IAS 39: this amendment softens the discontinuation of hedge accounting when the renewal of a derivative designated as hedge reaches certain criteria. As disclosed in Note 22, the Company does not negotiate with derivative financial instruments.

b) Below, the new or amended pronouncements not yet effective and that shall be effective as of fiscal year starting on or after January 1, 2015

(i) IFRS 9 Financial Instruments - it reflects the first phase of IASB to replace IAS 39 and shall apply to the classification and measurement of financial assets and liabilities pursuant to IAS 39. The pronouncement would be firstly applied as of the fiscal years starting on or after January 1, 2013, but the pronouncement Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, postponed its effectiveness for January 1, 2015. In subsequent phases, IASB will discuss issues, such as hedge accounting and provision for impairment of assets. The Company does not expect this standard to have relevant effects on its financial statements.

(ii) IFRIC 21 - taxes: it clarifies when an entity must recognize a tax liability when the event triggering the payment occurs. For a tax, which requires its payment from the achievement of certain metrics, the interpretation indicates that no liability must be recognized until the metrics is reached. The Company does not expect the IFRIC 21 to have relevant effects on its financial statements.

There are no other IFRS standards which are not effective yet which could have a relevant effect on the Company.

(Amounts in thousands of Brazilian reais - R$)

3. Notes included in the financial statements as at December 31, 2013 not presented in this interim financial information

This interim financial information is presented in conformity with CPC 21 (R1) and IAS 34 Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the provisions set forth by CVM Circular Letter SNC/SEP 003/2011, of April 28, 2011. The preparation of this interim financial information requires the Company’s Management to make judgments on the relevance of the changes that should be disclosed in explanatory notes. Accordingly, this interim financial information includes selected explanatory information and does not comprise all the explanatory information presented in the financial statements for the fiscal year ended December 31, 2013. As permitted by CVM Circular Letter 03/2011, the following explanatory information is presented:

- Other assets (Note 8);
- Taxes paid in installments (Note 18);
- Employee benefits (Note 25);
- Business combination (Note 28);
- Commitments (Note 29);
- Statement of cash flows (Note 30).

4. Cash and cash equivalents and securities

4.1. Cash and cash equivalents

		Company		Consolidated	
	Rates	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Cash		**32,087**	33,988	**32,091**	33,990
Banks		**13,864**	19,263	**16,149**	21,561
Financial assets at fair value through profit or loss and held for trading:					
Bank deposit certificates and other short-term investments	From 80.0% to 105% CDI	**186,425**	143,309	**186,425**	143,309
Non-exclusive investment funds	102.0% CDI	**613**	81,446	**613**	81,446
Total cash and cash equivalents		**232,989**	278,006	**235,278**	280,306

(Amounts in thousands of Brazilian reais - R$)

4. Cash and cash equivalents and securities (Continued)

4.2. Securities

Financial assets at fair value through profit or loss	Rates	Company		Consolidated	
		03/31/2014	12/31/2013	03/31/2014	12/31/2013
Held for trading					
Non-exclusive investment funds	105% CDI	**5,087**	4,968	**19,473**	19,046
Exclusive investment funds:					
Debentures	(a)	**7,791**	7,842	**7,791**	7,842
Federal government securities	(a)	**25,977**	145,041	**25,977**	145,041
Purchase and sale commitments	(a)	**116,733**	185,865	**116,733**	185,865
Time deposits and other securities	(a)	**136,295**	133,494	**136,295**	133,494
		286,796	472,242	**286,796**	472,242
Total securities		**291,883**	477,210	**306,269**	491,288

(a) Considers the exclusive fixed income investment fund. At March 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.

5. Trade receivables

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Trade receivables:				
Debit and credit cards (a)	**177,089**	196,530	**177,592**	197,228
Own installment program (b)	**102,106**	100,290	**102,106**	100,290
Additional warranty agreements (c)	**143,988**	134,622	**143,988**	134,622
Total trade receivables	**423,183**	431,442	**423,686**	432,140
Arising from sales agreements (d)	**154,977**	167,049	**154,977**	167,049
Allowance for doubtful accounts	**(43,083)**	(43,190)	**(43,083)**	(43,190)
Present value adjustment	**(21,919)**	(20,696)	**(21,919)**	(20,696)
Total receivables	**513,158**	534,605	**513,661**	535,303
Current assets	**509,535**	529,922	**510,038**	530,620
Non-current assets	**3,623**	4,683	**3,623**	4,683

The aforementioned amounts classified as trade receivables are classified as receivable and measured at amortized cost. The average term to receive trade receivables is 14 days in the company and consolidated.

(Amounts in thousands of Brazilian reais - R$)

5. Trade receivables (Continued)

The adjustment to present value is calculated on the reporting dates for all trade receivables. The calculation is based on the term of realization of the asset by using a discount rate based on the average rate of financial charges collected from end customers, less its default risk, as stated in Note 2.7.3 of the fiscal year ended December 31, 2013. This rate is taken into consideration by the Company's Management when making market valuations of the time value of money and the specific risks relating to these assets. Loans are recorded at present value, calculated on a pro rata die basis based on agreed interest rate.

Receivables were assigned to secure borrowings in the amount of R$96,458 at March 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 March 31, 2014, the Company had credits granted to financial institutions totaling R$1,237,988 (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 "Financial expenses." The Company, through card sales transactions, transfers to the credit card companies and financial institutions all risks of payment by customers and, therefore, does not recognize the receivables referring to these credits. The respective financial charges are recorded in profit or loss for the year upon derecognition.

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

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

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

Changes in the allowance for doubtful accounts are as follows:

	Company and Consolidated	
	03/31/2014	**12/31/2013**
Balance at the beginning of the year/period	**(43,190)**	(38,496)
(+) Additions	**(11,989)**	(50,256)
(-) Write-offs	**12,096**	45,562
Balance at the end of the year/period	**(43,083)**	(43,190)

(Amounts in thousands of Brazilian reais - R$)

5. Trade receivables (Continued)

The aging list of trade receivables is as follows:

	Company		Consolidated	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Falling due:				
Up to 30 days	**65,386**	73,614	**65,423**	74,009
Between 31 and 60 days	**47,033**	43,778	**47,105**	43,828
Between 61 and 90 days	**40,348**	40,930	**40,420**	40,965
Between 91 and 180 days	**78,315**	78,979	**78,637**	79,197
Between 181 and 360 days	**152,589**	158,068	**152,589**	158,068
Over 361 days	**10,986**	10,135	**10,986**	10,135
	394,657	405,504	**395,160**	406,202
Past-due:				
Up to 30 days	**7,368**	6,108	**7,368**	6,108
Between 31 and 60 days	**5,101**	4,299	**5,101**	4,299
Between 61 and 90 days	**4,283**	4,117	**4,283**	4,117
Between 91 and 180 days	**11,774**	11,414	**11,774**	11,414
	28,526	25,938	**28,526**	25,938
Total	**423,183**	431,442	**423,686**	432,140

Receivables from sales agreements, by age and maturity, are broken down as follows:

	Company and Consolidated	
	03/31/2014	12/31/2013
Falling due:		
Up to 30 days	**46,676**	23,295
Between 31 and 60 days	**54,024**	87,251
Between 61 and 90 days	**27,865**	31,799
Between 91 and 180 days	**15,012**	21,284
Between 181 and 360 days	**551**	553
	144,128	164,182
Past-due:		
Up to 30 days	**8,452**	2,446
Between 31 and 60 days	**1,586**	289
Between 61 and 90 days	**102**	26
Between 91 and 180 days	**709**	106
	10,849	2,867
Total	**154,977**	167,049

(Amounts in thousands of Brazilian reais - R$)

6. Inventories

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Resale goods	**1,278,314**	1,260,783	**1,281,291**	1,264,940
Consumption material	**13,051**	14,162	**13,051**	14,162
Provision for losses	**(30,389)**	(27,740)	**(30,389)**	(27,740)
Total	**1,260,976**	1,247,205	**1,263,953**	1,251,362

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

Changes in the provision for losses and adjustment to net realizable value, which reduced the balance of inventories, are as follows:

	Company and Consolidated	
	03/31/2014	**12/31/2013**
Opening balance	**(27,740)**	(21,055)
Provision	**(6,380)**	(25,880)
Written-off or sold inventories	**3,731**	19,195
Closing balance	**(30,389)**	(27,740)

The provision for inventory losses is estimated based on the history of losses on stores' and distribution centers' physical inventory. 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. Also, goods transferred to technical assistance were considered in the analysis of obsolete products.

(Amounts in thousands of Brazilian reais - R$)

7. Related-party transactions

a) Balances from related parties

	Company		Consolidated	
Current assets	**03/31/2014**	**12/31/2013**	**03/31/2014**	**12/31/2013**
Commissions on services				
Joint ventures:				
Luizacred (i)	**16,334**	15,329	**16,334**	15,329
Luizaseg (ii)	**38,952**	38,450	**38,952**	38,450
	55,286	53,779	**55,286**	53,779
Subsidiaries:				
Luiza Administradora de Consórcios(“LAC”) (iii)	**586**	579	-	-
Reimbursement of expenses and costs with consortium draws				
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**1,137**	994	**1,137**	994
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**154**	-	-	-
	1,291	994	**1,137**	994
Dividends receivable:				
Luizacred (i)	**-**	13,840	-	13,840
Luizaseg (ii)	**-**	2,345	-	2,345
	-	16,185		16,185
Balance receivable from credit card sales and accounts receivable by CDC:				
Luizacred (i)	**25,607**	37,937	**25,607**	37,937
Total	**82,770**	109,474	**82,030**	108,895
Securities				
ML Renda Fixa Créd. Privado Fundo de Investimento (vii)	**286,796**	472,242	**286,796**	472,242

(Amounts in thousands of Brazilian reais - R$)

7. Related-party transactions (Continued)

a) Balances from related parties (Continued)

Current liabilities	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Transfers of receivables from services and accounts payable:				
Joint ventures:				
Luizacred (i)	**20,467**	23,606	**20,467**	23,606
Luizaseg (ii)	**38,437**	47,668	**38,437**	47,668
	58,904	71,274	**58,904**	71,274
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**836**	826	836	826
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**95**	97	**-**	-
	931	923	**836**	826
Rentals payable and other transfers				
Controlled by the Company’s controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**1,043**	1,426	**1,043**	1,426
PJD Agropastoril Ltda. (vi)	**35**	34	**35**	34
	1,078	1,460	**1,078**	1,460
Payables relating to advertising campaigns:				
ETCO - Empresa Técnica de Comunicação Ltda. (v)	**735**	59	**735**	59
	61,648	73,716	**61,553**	73,619

b) Transactions with related parties

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Income from service intermediation commissions				
Joint ventures:				
Luizacred (i)	**37,005**	45,946	**37,005**	45,946
Luizaseg (ii)	**61,538**	27,731	**61,538**	27,731
	98,543	73,677	**98,543**	73,677
Subsidiaries:				
Revenue from service intermediation commissions				
Consortium Group (“LAC”) (iii)	**1,738**	1,694	-	-
Revenue from return on exclusive fund:				
ML Renda Fixa Créd.Privado Fundo de investimento (vii)	**8,311**	2,215	**8,311**	2,215
Reimbursement of shared expenses				
Joint ventures:				
Luizacred (i)	**13,328**	13,632	**13,328**	13,632
Total revenues	**121,920**	91,218	**120,182**	89,524

(Amounts in thousands of Brazilian reais - R$)

7. Related-party transactions (Continued)

b) Transactions with related parties (Continued)

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Costs related to the acquisition of goods				
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**(965)**	-	**-**	-
Total costs	**(965)**	-	**-**	-

	Parent Company and Consolidated	
	03/31/2014	**03/31/2013**
Office building rental expenses		
Controlled by the Company's controlling shareholders:		
MTG Administração, Assessoria e Participações S.A. (iv)	**(3,650)**	(2,994)
PJD Agropastoril Ltda. (vi)	**(104)**	(103)
	(3,754)	(3,097)
Freight expenses		
PJD Agropastoril Ltda. (vi)	**(370)**	-
Credit card anticipation charge expenses:		
Luizacred (i)	**(16,043)**	(10,062)
Advertising campaign expenses		
Controlled by the Company's controlling shareholders:		
ETCO - Empresa Técnica de Comunicação Ltda. (v)	**(50,823)**	(37,015)
Total expenses	**(70,990)**	(50,174)

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

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

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

(c) Commissions on the services monthly provided by the Company, which include the attraction of customers, management and administration of consumer credit transactions, control and collection of financing granted, access to telecommunication systems and network, in addition to storage and availability of physical space in the points-of-sale.

The amounts payable (current liabilities) refer to the receipt of customers' installments by the Company's store cashiers, which are transferred to Luizacred on D+1.

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

(ii) The amounts receivable (current assets) and revenues of Luizaseg, subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services monthly provided by the Company, relating to the sale of 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.

(Amounts in thousands of Brazilian reais - R$)

7. Related-party transactions (Continued)

b) Transactions with related parties (Continued)

(v) Transactions with ETCO - Empresa Técnica de Comunicação Ltda., an entity indirectly 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.

(vii) Transactions with ML Renda Fixa Crédito Privado Fundo de Investimento, ML Renda Fixa Crédito Privado FI and Fundo de Investimento FIC Caixa Aporte Imediato 200 RF LP refer to operations with the exclusive investment fund (see Note 4.2 - Securities).

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

c) Management compensation

	03/31/2014		03/31/2013	
	Board of Directors	**Board of Executive Officers**	**Board of Directors**	**Board of Executive Officers**
Fixed compensation - including charges	**102**	**1,964**	133	1,599
Variable compensation	**-**	**397**	-	-
Stock option plan	**96**	**733**	47	547

The Company does not grant post-employment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Board of Executive Officers are the same to other employees, according to Note 25 of the financial statements for the fiscal year ended December 31, 2013. The amounts for these benefits are added to the Board of Executive Officers' fixed compensation. The Company has a Stock Option Plan for the employees elected at the Board of Directors' meeting, and Management, employees or service providers of the Group are eligible to receive stock option, which is detailed in Note 19 as at December 31, 2013. It is worth mentioning that until the end of the first quarter of 2014, no stock option has been exercised.

Additionally, the Company does not offer any benefits to the key Management personnel of its related parties.

Pursuant to the Brazilian laws and the Company's Bylaws, it shall be incumbent upon shareholders to define and approve at the Shareholders' Meeting, the Management's annual overall compensation. The Company's Board of Directors approved on April 17, 2014, the Management's overall compensation for the fiscal year to end on December 31, 2014, where a maximum limit for Management's overall compensation is estimated at R$19,381.

(Amounts in thousands of Brazilian reais - R$)

8. Taxes recoverable

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Recoverable ICMS (a)	**348,511**	363,218	**348,511**	363,218
Recoverable income tax and social contribution	**12,858**	8,928	**12,858**	8,928
Recoverable withholding income tax	**3,393**	3,902	**3,393**	3,902
Recoverable PIS and COFINS	**9,581**	1,252	**9,581**	1,252
Other	**12**	15	**12**	15
	374,355	377,315	**374,355**	377,315
Current assets	**224,389**	218,554	**224,389**	218,554
Non-current assets	**149,966**	158,761	**149,966**	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.

(Amounts in thousands of Brazilian reais - R$)

9. Income tax and social contribution

a) The table below shows the reconciliation of the tax effect on income before income tax and social contribution by applying the rates in effect for the Company and the consolidated effects in force in respective years:

	Company		Consolidated	
	03/31/2014	03/31/2013	03/31/2014	03/31/2013
Income (loss) before income tax and social contribution	**19,042**	(7,440)	**19,405**	(7,190)
Statutory rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution credits at statutory rates	**(6,474)**	2,530	**(6,598)**	2,445
Reconciliation for effective rate (effects of applying tax rates):				
Exclusion - equity in the earnings (losses) of subsidiaries	**7,609**	3,579	**7,356**	3,412
Other permanent exclusions, net	**358**	2,133	**372**	2,135
Income tax and social contribution credits	**1,493**	8,242	**1,130**	7,992
Current	**(1,029)**	-	**(1,434)**	(187)
Deferred	**2,522**	8,242	**2,564**	8,179
Total	**1,493**	8,242	**1,130**	7,992
Effective tax rate	**7.8%**	110.8%	**5.8%**	111.2%

(Amounts in thousands of Brazilian reais - R$)

9. Income tax and social contribution (Continued)

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

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Deferred income tax and social contribution assets:				
Tax losses and social contribution tax loss carryforwards	**57,318**	57,769	**57,334**	57,769
Allowance for doubtful accounts	**14,648**	14,685	**14,648**	14,685
Provision for inventory losses	**10,332**	9,432	**10,396**	9,432
Provision for tax, civil and labor contingencies	**73,492**	69,676	**73,628**	69,850
Other provisions	**-**	106	-	106
	155,790	151,668	156,006	151,842
Deferred income tax and social contribution liabilities:				
Temporary difference due to adoption of RTT (1)	**(14,015)**	(12,415)	**(14,015)**	(12,415)
Deferred income tax and social contribution	**141,775**	139,253	**141,991**	139,427

(1) The Company adopted the Transitional Tax System (RTT), as prescribed by Law 11941/09 which from the adoption of new accounting practices, creates temporary differences on taxable bases.

The asset recorded is limited to the amounts whose realization is supported by future taxable base projections, approved by Management. Future taxable income projections include several estimates related to the performance of the Brazilian and global economies, selection of foreign exchange rates, sales volume and price, tax rates, among others, which may differ from actual amounts. As income tax and social contribution income or expenses result not only from taxable income but also from the Group’s tax and corporate structure, the expected realization of temporarily non-deductible differences, the existence of non-taxable income, non-deductible expenses, and several other variables, there is no significant correlation between the Company’s and its subsidiaries’ profit (loss) and the income tax and social contribution income or expenses. Accordingly, the growth in the realization of temporarily non-deductible differences should not be considered as an indication of the Company's and its subsidiaries’ future profits.

(Amounts in thousands of Brazilian reais - R$)

10. Investments in subsidiaries

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

Subsidiary	Main activity	Equity interest - % 3/31/2014
Época Cosméticos	E-commerce of perfumes and cosmetics	**100%**
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 28 of the financial statements as at December 31, 2013.

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

	Época Cosméticos		LAC	
	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Units of interest/shares held	**4,155**	4,155	**6,500**	6,500
Current assets	**3,644**	5,343	**17,932**	17,080
Non-current assets	**5,786**	5,664	**2,929**	2,754
Current liabilities	**1,934**	4,971	**4,243**	4,314
Non-current liabilities	**19,035**	19,035	**2,159**	1,944
Net revenue	**5,354**	3,790	**9,017**	35,090
Capital stock	**5,755**	4,155	**6,500**	6,500
Equity	**(11,539)**	(12,999)	**14,459**	13,576
Net income (loss) for the year/period	**(139)**	(635)	**883**	3,304

Changes in investments	03/31/2014	12/31/2013	03/31/2014	12/31/2013
Balances at the beginning of the year/period	**23,827**	**-**	**13,576**	12,272
Total assets identified, net	**-**	(12,364)	**-**	-
Goodwill generated in acquisition	**-**	36,826	**-**	-
Dividends distributed	**-**	-	**-**	(2,000)
Advance for future capital increase (AFAC)	**1,600**	-	**-**	-
Equity in the earnings (losses) of subsidiaries	**(139)**	(635)	**883**	3,304
Balances at the end of the year/period	**25,288**	23,827	**14,459**	13,576

Total investments in subsidiaries

	03/31/2014	12/31/2013
Consortium group ("LAC")	**14,459**	13,576
Época Cosméticos	**25,288**	23,827
	39,747	37,403

11. Investments in joint ventures

	Luizacred (a)		Luizaseg (b)	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Total shares - in thousands	**978**	978	**13,883**	13,883
Direct interest percentage	**50%**	50%	**50%**	50%
Current assets	**3,656,592**	3,655,436	**127,416**	168,900
Non-current assets	**422,758**	384,972	**160,756**	132,388
Current liabilities	**3,550,640**	3,553,144	**181,350**	195,718
Non-current liabilities	**64,046**	62,262	**39,470**	27,076
Net revenues	**411,834**	1,479,584	**61,596**	217,790
Capital stock	**274,624**	274,624	**13,884**	13,884
Equity	**464,666**	425,002	**67,352**	78,494
Net income (loss) for the year/period	**39,663**	89,182	**3,608**	19,748

	Luizacred		Luizaseg	
	3/31/2014	**12/31/2013**	**3/31/2014**	**12/31/2013**
Changes in investments				
Balance at the beginning of the year/period	**212,501**	181,751	**39,246**	41,143
Proposed dividends	**-**	(13,840)	**(7,513)**	(10,046)
Other comprehensive income	**-**	-	**138**	(1,725)
Equity in the earnings (losses) of subsidiaries	**19,832**	44,590	**1,804**	9,874
Balance at the end of the year/period	**232,333**	212,501	**33,675**	39,246

Total investments in joint ventures	**03/31/2014**	**12/31/2013**
Luizacred	**232,333**	212,501
Luizaseg	**33,675**	39,246
	266,008	251,747

(a) Direct 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.

Interests in joint ventures are stated in the Company and consolidated by the equity method, applying the precepts of CPC 19 (R2) - Joint Venture and IFRS 11 - Joint Arrangements.

(Amounts in thousands of Brazilian reais - R$)

12. Property and equipment

Changes in property and equipment for the quarter ended March 31, 2014 are as follows:

	Company	Consolidated
Net property and equipment at December 31, 2013	539,729	540,444
Additions	8,606	8,703
Write-offs	(239)	(239)
Depreciation	(18,076)	(18,124)
Net property and equipment at March 31, 2014	**530,020**	**530,784**
Breakdown of property and equipment at March 31, 2014:		
Cost of property and equipment	897,547	899,448
Accumulated depreciation	(367,527)	(368,664)
Net property and equipment at March 31, 2014	**530,020**	**530,784**

During the quarter no indications that property and equipment items might be impaired were identified.

13. Intangible assets

Changes in intangible assets for the quarter ended March 31, 2014 are as follows:

	Company	Consolidated
Net intangible assets at December 31, 2013	438,559	481,370
Additions	7,851	7,920
Amortization	(8,846)	(8,907)
Net intangible assets at March 31, 2014	**437,564**	**480,383**
Breakdown of intangible assets at March 31, 2014		
Cost of the intangible assets	599,405	642,995
Accumulated amortization	(161,841)	(162,612)
Net intangible assets at March 31, 2014	**437,564**	**480,383**

During the quarter no indications that intangible assets might be impaired were identified.

14. Suppliers

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Resale of goods - domestic market	**1,524,972**	1,650,884	**1,525,810**	1,655,106
Other suppliers	**22,998**	16,853	**23,444**	17,227
Present value adjustment	**(20,861)**	(20,790)	**(20,861)**	(20,790)
	1,527,109	1,646,947	**1,528,393**	1,651,543

(Amounts in thousands of Brazilian reais - R$)

15. Borrowings and financing

Type	Charge	Collaterals	Final maturity	Company 03/31/2014	Company 12/31/2013	Consolidated 03/31/2014	Consolidated 12/31/2013
Working capital (a)	107.5% to 116% of CDI p.a.	"Aval" guarantees and credit card receivables	Dec/19	**597,105**	692,430	**597,685**	692,668
Finance leases (b)	CDI//LIBOR	Fiduciary sale/ escrow deposits	Dec/19	**17,048**	18,677	**17,048**	18,677
Debentures - Restricted offer(c)	108.8% to 114.5% of CDI	-	Oct/16	**614,551**	608,935	**614,551**	608,935
					-	**-**	-
				1,228,704	1,320,042	**1,229,284**	1,320,280
Current liabilities				**519,983**	424,989	**520,563**	425,227
Non-current liabilities				**708,721**	895,053	**708,721**	895,053

(a) This financing is collateralized by sureties, commercial lien and a portion of receivables from credit cards, as described in Note 5.

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 to substitute the charges contracted for DI-indexed fixed interest. This is a perfectly matched transaction that does not expose the Company to currency or foreign interest rate risks. Further details are disclosed in Note 25.

(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$1,379 (equivalent to US$610 thousand) was deposited in escrow, recorded in line item "Other non-current assets," which will be redeemed on the final maturity of the contract. This deposit, equivalent to 15% of the total asset amount, 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 conducted its first issue of non-convertible debentures, in a single series, for public distribution with restricted placement efforts, in accordance with CVM Rule 476/09, on December 26, 2011. A total of 200 debentures were issued, at par value of R$1,000 each, totaling R$200,000. These debentures will have a thirty-month term as of the date of issue, falling due on June 26, 2014. Debentures will not have their par value adjusted for inflation and will render compensatory interest corresponding to 113% of accumulated variation of daily average DI (Interbank Deposits) rates, which will be paid semiannually, the first payment of which made on June 26, 2012. For this operation, the Company incurred transaction costs of R$1,722, which will be appropriated to profit (loss) during the same term. Considering the operation costs, the estimated effective interest rate (TIR) is approximately 116.38% of CDI, per year. The debentures were paid on January 6, 2012, after registration and compliance with CETIP settlement rules, at their par value plus the corresponding remuneration calculated on a *pro rata temporis* basis from the date of issue to the date of effective payment.

On March 7, 2013, the Company conducted the second issue of unsecured and non-convertible debentures, in two series, for tender offer with restricted placement efforts. 200 Debentures were issued, with unit face value of R$1,000, totaling R$200,000. For legal purposes, the issue date of debentures was March 22, 2013 in two series: (a) 1st series totaling R$100,000 will have two-year term, unit value will not be adjusted and will accrue 112.00% interest of accumulated variation of DI (Interbank Deposits) average rate; the 2nd series totaling R$100,000 will have three-year term, its unit value will not be adjusted and will accrue 114.50% interest of DI rate.

On October 21, 2013, the Company conducted its third issue of unsecured and non-convertible debentures in a single series, for tender offer with restricted placement efforts. 20,000 debentures were issued, with unit face value of R$10, totaling R$200,000. Debentures will have three-year term and will accrue 108.8% interest of accumulated variation of DI average rates.

(Amounts in thousands of Brazilian reais - R$)

15. Borrowings and financing(Continued)

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

(i) Banco do Brasil: maintenance of the adjusted net debt/EBITDA ratio below 3 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 receivables from credit cards.

(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 March 31, 2014.

16. Deferred revenue

	Company and Consolidated	
	03/31/2014	**12/31/2013**
Deferred revenue with third parties:		
Exclusive dealing agreement with Banco Itaúcard (a)	**168,375**	171,501
Exploration right agreement - payroll (b)	**5,516**	5,806
Sales agreement - Cardif (c)	**29,610**	31,359
	203,501	208,666
Deferred revenue from related parties:		
Exclusive dealing agreement with Luizacred (d)	**174,520**	177,292
Total deferred revenue	**378,021**	385,958
Current liabilities	**36,734**	36,734
Non-current liabilities	**341,287**	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.

In consideration for the aforementioned alliance, Itaú group companies paid in cash R$250,000, of which: (i) R$230,000 relating to the consummation of the negotiation, without right of reimbursement; and (ii) R$20,000 subject to the attainment of profitability goals 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 goals are attained.

(Amounts in thousands of Brazilian reais - R$)

16. Deferred revenue(Continued)

(b) On June 30, 2008, the Company entered into an exclusive payroll services agreement with a financial institution for a five-year period for the provision of banking services to its employees. This partnership allowed the inflow of R$20,250 to the Company's cash. The recognition of the revenue arising from the funds received is allocated to profit (loss) over the term of the contract.

On August 30, 2013, the Company entered into an assignment agreement of 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 appropriated to profit or 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 recognition of revenue derived from this agreement is recognized in profit (loss) over the term of the agreement.

(d) On December 29, 2010, subsidiary Lojas Maia entered into an alliance agreement with Luizacred, a joint venture, through which it has granted the exclusive right to offer, distribute and sell financial products and services in its store chain for a 19-year period. As a result of such alliance, Luizacred paid R$160,000 in cash to Lojas Maia (in consolidation, R$80,000 are eliminated from Luizacred's intangible assets), which are recognized in profit (loss) over the term of the agreement. As part of this alliance agreement, the amount of R$20,000, mentioned in item "(a) ii" above was increased to R$55,000.

On December 16, 2011, the Company entered into an amendment to the partnership agreement with the joint venture Luizacred, due to increase in Company's operations resulting from the acquisition of New-Utd. 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.

On February 22, 2013, the Company entered into a new amendment to the partnership agreement, aiming at transferring Luizacred's credit card issuance activities ("Luiza Card"), as well as its corresponding assets and liabilities, to Itaú or Itaú's affiliate ("Transfer"). After the transfer, Magazine Luiza would continue to receive 50% of Luiza Card's results through profit sharing, maintaining its economic interest. This transfer was suspended in a new amendment signed on July 5, 2013, in view of new understandings between the parties referring to the implementation of new structure alternative to that one previously maintained. This amendment also maintains its exclusive rights until 2029.

17. Provision for tax, civil and labor contingencies

The Company and its subsidiaries are parties to labor, civil and tax lawsuits in progress for which it has submitted administrative or legal defense. For cases on which our legal counsel's opinion is unfavorable, the Company recognized, as of March 31, 2014, in non-current liabilities, a provision for tax, civil and labor contingencies, which is the Group's Management best estimate of future disbursement. Changes in the provision for tax, civil and labor contingencies are as follows:

Company

	12/31/2013	Additions	Reversal	Write-offs	Inflation adjustment	03/31/2014
Tax	186,921	8,373	(2,151)	-	2,363	**195,506**
Civil	10,405	988	-	(1,347)	-	**10,046**
Labor	29,120	1,950	-	(1,105)	-	**29,965**
	226,446	11,311	(2,151)	(2,452)	2,363	**235,517**

(Amounts in thousands of Brazilian reais - R$)

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

Consolidated

	12/31/2013	Additions	Reversal	Write-offs	Inflation adjustment	03/31/2014
Tax	203,205	8,373	(2,151)	-	2,363	**211,790**
Civil	10,651	1,009	-	(1,362)	-	**10,298**
Labor	32,026	1,960	-	(1,105)	-	**32,881**
	245,882	11,342	(2,151)	(2,467)	2,363	**254,969**

As of March 31, 2014, the Company's main lawsuits classified by Management as probable loss based on the opinion of its legal counsels, 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 is challenging several tax-deficiency notices filed by the Departments of Finance in the states where it operates, which claim differences in ICMS (State VAT) payment, supposed errors in the compliance with certain ancillary obligations and few federal tax offset procedures with the Federal Revenue Service. The Company recorded a reserve for risks assessed as probable loss by its legal counsel. These tax-deficiency notices amounted to R$33,359 at March 31, 2014 (R$30,447 at December 31, 2013), of which approximately R$1,671 is guaranteed by revolving inventories of Company's goods.

(ii) The Company is challenging through writ of mandamus the constitutionality of the Contribution to the National Institute of Rural Settlement and Agrarian Reform (INCRA), for which an escrow deposit was made totaling R$7,463 at March 31, 2014 (R$7,045 at December 31, 2013), with a provision for tax risks at the same amount.

(iii) The Company is challenging the increase in the Occupational Accident Risk rate (RAT). Thus, it filed a lawsuit and deposited the amounts corresponding to the increased rate in an escrow account. The amount of the provision totals R$47,217 at March 31, 2014 (R$43,750 as of December 31, 2013).

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

a) Tax lawsuits (Continued)

(iv) The Company discusses at administrative level the FAP (Accident Prevention Factor) index which was imposed to it by MPS/CNPS Resolution 1269/06, whose provision totals R$36,237 at March 31, 2014 (R$33,402 as of December 31, 2013).

(v) Other tax claims assessed by the Management of the Company and their legal counsels as probable loss amount to R$38,665 at March 31, 2014 (R$40,127 as of December 31, 2013), for which a reserve has been recognized. The tax claims are related to tax-deficiency notices allegedly due to the incorrect application of ICMS rates, as well as to risks related to PIS/COFINS on debits on interest income, tax incentives received and credits subject to challenge with the tax authorities.

(vi) The merged subsidiary Lojas Maia did not acknowledge the mandatory collection of PIS/COFINS on ICMS tax base, depositing in an escrow account the amount of the related provision, in the total amount of R$43,257 at March 31, 2014 (R$42,500 at December 31, 2013).

(vii) During the business combination process of the merged subsidiary Lojas Maia, other tax risks relating to ICMS, IRPJ, CSSL and ISS were identified by the Company and weighted in the context of calculation of the related fair values, and an additional provision was recognized in the total amount of R$5,592 at March 31, 2014 (R$5,934 at December 31, 2013).

b) Civil lawsuits

Consolidated civil contingencies of R$10,298 at March 31, 2014 (R$10,651 at December 31, 2013) are related to claims filed by customers on possible product defects. Other non-relevant balances are recorded in the Company's subsidiaries.

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$24,273 at March 31, 2014 (R$23,764 at December 31, 2013) in consolidated reflects the risk of probable loss assessed by the Company's Management jointly with its legal counsels.

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

c) Labor lawsuits (Continued)

(ii) The Company is also challenging the payment of social security contribution on paid prior notice, which is being fully deposited in court and totals R$8,608 at March 31, 2014 (R$8,262 as of December 31, 2013).

In order to deal with tax, civil and labor contingencies, the Company has a balance in escrow deposits of R$178,335 at March 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 attributed to the main lawsuits where the Company is the defendant are:

a) Tax lawsuits: there are tax lawsuits where the Company and its subsidiary and joint parent companies are the defendants. The amount estimated by Management and its legal counsels relating to these lawsuits, which are at the administrative or court level, is R$396,932 at March 31, 2014 (R$388,665 at December 31, 2013):

The main lawsuits classified as possible losses are described below:

PIS/COFINS - Administrative lawsuits, which are pending in the Regional Judgment Authority and CARF, relating to tax-deficiency notice issued due to possible differences in tax calculation bases, credits calculated and offset, but not ratified by the Federal Revenue Service, among others involving lower amounts. The lawsuits with possible losses totaled R$194,483.

ICMS - Administrative and legal lawsuits, relating to tax-deficiency notices issued due to: (i) possible differences in ICMS rates; (ii) non-compliance with some ancillary obligations, (iii) acquisition of goods from suppliers, whose registrations were later declared inefficient by the tax authority; and (iv) discussion on rate increase in the state of São Paulo, from 17% to 18%, in which the government does not accept reimbursement of a 1% difference. Among others involving lower amounts, the estimated value of these lawsuits is R$63,583.

b) Civil and labor lawsuits

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

(Amounts in thousands of Brazilian reais - R$)

18. Equity

Treasury shares

In 2013, the Company repurchased 2,500,000 of its shares to be held in treasury, with an average cost of R$7.58, thus, concluding its share buyback program, which was released to the market in 3Q13, totaling 5,000,000 repurchased shares, at the average cost of R$7.97.

19. Net sales revenue

	Company		**Consolidated**	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Gross revenue:				
Retail - resale of goods	**2,570,956**	2,039,077	**2,575,465**	2,039,077
Retail - services rendered	**107,148**	82,392	**113,721**	82,913
Consortium management	**-**	-	**9,882**	9,258
	2,678,104	2,121,469	**2,699,068**	2,131,248
Taxes and returns:				
Resale of goods	**(414,991)**	(354,330)	**(415,111)**	(354,330)
Services rendered	**(14,225)**	(10,512)	**(15,090)**	(11,310)
	(429,216)	(364,842)	**(430,201)**	(365,640)
Net sales revenue	**2,248,888**	1,756,627	**2,268,867**	1,765,608

20. Cost of goods resold and services rendered

	Company		**Consolidated**	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Costs:				
Goods resold	**(1,644,752)**	(1,265,787)	**(1,645,607)**	(1,265,787)
Services rendered	**-**	-	**(3,259)**	(1,600)
	(1,644,752)	(1,265,787)	**(1,648,866)**	(1,267,387)

(Amounts in thousands of Brazilian reais - R$)

21. Information on the nature of the expenses recognized in the statement of income

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

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Personnel expenses	**(259,533)**	(241,363)	**(259,533)**	(241,363)
Service providers expenses	**(118,998)**	(98,684)	**(118,998)**	(98,684)
Other	**(130,975)**	(96,085)	**(137,581)**	(100,598)
Total	**(509,506)**	(436,132)	**(516,112)**	(440,645)
Classified by function as:				
Selling expenses	**(418,794)**	(355,073)	**(419,904)**	(355,073)
General and administrative expenses	**(96,782)**	(89,467)	**(102,279)**	(93,995)
Other operating income, net	**6,070**	8,408	**6,071**	8,423
	(509,506)	(436,132)	**(516,112)**	(440,645)

22. Other operating income, net

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Gain (loss) on sale of property and equipment	**(110)**	(117)	**(110)**	(117)
Recognition of deferred revenue (a)	**7,937**	8,567	**7,937**	8,567
Provision for tax losses	**(1,679)**	1,413	**(1,679)**	1,413
Non-recurring expenses (b)	**-**	(1,390)	**-**	(1,390)
Other	**(78)**	(65)	**(77)**	(50)
Total	**6,070**	8,408	**6,071**	8,423

(a) Refers to the allocation of deferred revenue from the assignment of exploration rights, as described in Note 16.

(b) In 2013, these refer to expenses to shut down stores.

(Amounts in thousands of Brazilian reais - R$)

23. Financial expenses, net

	Company		Consolidated	
	03/31/2014	**03/31/2013**	**03/31/2014**	**03/31/2013**
Financial income:				
Interest on extended warranty sales	**14,757**	10,282	**14,757**	10,282
Income from short-term financial investments and securities	**9,230**	2,448	**1,266**	402
Interest on sale of goods - interest on delay in receivables	**1,076**	877	**1,076**	877
Exchange gains	**95**	33	**95**	33
Discount obtained	**3,806**	2,202	**3,806**	2,202
Other	**7**	218	**8**	218
	28,971	16,060	**21,008**	14,014
Financial expenses:				
Interest on borrowings and financing	**(38,956)**	(25,956)	**(38,956)**	(25,956)
Charges on credit card advances	**(45,565)**	(25,781)	**(45,626)**	(25,781)
Provision for interest on extended warranty	**(7,264)**	(3,980)	**(7,264)**	(3,980)
Other	**(3,507)**	(3,574)	**(3,527)**	(3,579)
	(95,292)	(59,291)	**(95,373)**	(59,296)
Financial expenses, net	**(66,321)**	(43,231)	**(74,365)**	(45,282)

24. Segment reporting

CPC 22 and IFRS 8 - Segment Reporting - require that the operating segments are identified based on internal reports related to the Company’s components periodically reviewed by the CEO, the main operating decision maker, so that funds may be allocated to segments and their performance may be assessed.

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

- Retail - mainly resale of goods and provision of services in the Company’s stores and e-commerce;
- Financial operations - through the joint venture Luizacred, mainly engaged in the granting of credit to the Company’s customers for acquisition of products;
- Insurance - through the joint venture Luizaseg, mainly engaged in the offer of extended warranties of products purchased by the Company’s customers;
- Consortium management - through the subsidiary LAC, mainly engaged in the management of consortiums to the Company's customers for purchase of products.

(Amounts in thousands of Brazilian reais - R$)

24. Segment reporting (Continued)

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

	03/31/2014			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	**2,690,924**	**205,917**	**30,798**	**9,882**
Revenue deductions	**(429,336)**	**-**	**-**	**(865)**
Segment net revenue	**2,261,588**	**205,917**	**30,798**	**9,017**
Costs	**(1,647,345)**	**(26,109)**	**(3,761)**	**(3,259)**
Gross profit	**614,243**	**179,808**	**27,037**	**5,708**
				-
Selling expenses	**(419,904)**	**(64,466)**	**(21,463)**	**-**
General and administrative expenses	**(97,589)**	**(508)**	**(5,321)**	**(4,690)**
Result from allowance for doubtful accounts	**(4,725)**	**(81,560)**	**-**	**-**
Depreciation and amortization	**(26,949)**	**(1,627)**	**(1)**	**(81)**
Equity in earnings (losses) of subsidiaries	**22,519**	**-**	**-**	**-**
Other operating income	**6,070**	**1,396**	**1**	**1**
Financial income (expenses), net	**(74,703)**	**-**	**2,740**	**338**
Income tax and social contribution	**1,573**	**(13,211)**	**(1,189)**	**(443)**
Net income for the period	**20,535**	**19,832**	**1,804**	**883**
Equity accounting reconciliation				
Equity in the earnings of LAC (Note 10)	**883**			
Equity in the earnings of Luizacred (Note 11)	**19,832**			
Equity in the earnings of Luizaseg (Note 11)	**1,804**			
(=) Equity accounting of retail segment	**22,519**			
(-) Elimination effect - LAC	**(883)**			
(=) Consolidated equity in the earnings of subsidiaries	**21,636**			

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

(Amounts in thousands of Brazilian reais - R$)

24. Segment reporting (Continued)

Statement of income (Continued)

	03/31/2013			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	2,123,684	172,949	21,194	9,258
Revenue deductions	(364,842)	-	-	(798)
Segment net revenues	1,758,842	172,949	21,194	8,460
Costs	(1,265,787)	(16,266)	(2,393)	(3,294)
Gross profit	493,055	156,683	18,801	5,166
Selling expenses	(355,073)	(61,814)	(13,866)	-
General and administrative expenses	(89,467)	(298)	(3,227)	(4,528)
Result from allowance for doubtful accounts	(4,869)	(82,110)	-	-
Depreciation and amortization	(24,575)	(1,646)	(5)	(76)
Equity in earnings (losses) of subsidiaries	10,527	-	-	-
Other operating income	8,408	2,173	163	15
Financial income (expenses), net	(45,446)	-	1,848	164
Income tax and social contribution	8,242	(5,189)	(1,477)	(250)
Net income (loss) for the period	802	7,799	2,237	491
Equity accounting reconciliation				
Equity in the earnings of LAC	491			
Equity in the earnings of Luizacred	7,799			
Equity in the earnings of Luizaseg	2,237			
(=) Equity accounting of retail segment	10,527			
(-) Elimination effect - LAC	(491)			
(=) Consolidated equity in the earnings (losses) of subsidiaries	(10,036)			

(*) Consolidated balances including results of Magazine Luiza S.A.

(Amounts in thousands of Brazilian reais - R$)

24. Segment reporting (Continued)

Statement of financial position

	03/31/2014			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Assets				
Cash and cash equivalents	**233,020**	**3,452**	**106**	**2,258**
Securities	**291,883**	**5,255**	**121,755**	**14,386**
Trade receivables	**513,661**	**1,811,062**	**-**	**-**
Inventories of goods for resale	**1,263,953**	**-**		**-**
Investments	**280,467**	**-**	**-**	**-**
Property and equipment and intangible assets	**1,010,117**	**92,830**	**3**	**1,050**
Other	**876,281**	**127,076**	**22,222**	**3,167**
	4,469,382	**2,039,675**	**144,086**	**20,861**
Liabilities				
Trade payables	**1,527,947**	**-**	**7,323**	**446**
Borrowings and financing	**1,229,284**	**-**	**-**	**-**
Interbank deposits	**-**	**1,125,792**	**-**	**-**
Credit card operations	**-**	**598,363**	**-**	**-**
Insurance reserves	**-**	**-**	**81,526**	
Provision for contingencies	**254,552**	**24,428**	**163**	**417**
Deferred revenue	**378,021**	**7,500**	**-**	**-**
Other	**382,943**	**51,259**	**21,399**	**5,539**
	3,772,747	**1,807,342**	**110,411**	**6,402**
Equity	**696,635**	**232,333**	**33,675**	**14,459**

Investment reconciliation	
Investment in subsidiaries	
Investment in LAC (Note 10)	**14,459**
Investment in joint ventures	
Investment in Luizacred (Note 11)	**232,333**
Investment in Luizaseg (Note 11)	**33,675**
	266,008
Total investments	**280,467**
(-) Elimination effect - LAC	**(14,459)**
(=) Consolidated investment result	**266,008**

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

(Amounts in thousands of Brazilian reais - R$)

24. Segment reporting(Continued)

Statement of financial position (Continued)

	12/31/2013			
	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 10)	13,576
Investment in joint ventures	
Investment in Luizacred (Note 11)	212,501
Investment in Luizaseg (Note 11)	39,246
	251,747
Total investments	265,323
(-) Elimination effect - LAC	(13,576)
(=) Consolidated investment result	251,747

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

(Amounts in thousands of Brazilian reais - R$)

25. 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 redesign 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. Net debt means the sum of all borrowings and financing in current and non-current liabilities, less cash and cash equivalents and securities in current assets. EBITDA means profit before income tax and social contribution, financial income and expenses, depreciation and amortization.

The Company's capital structure is broken down below:

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Borrowings and financing	**1,228,704**	1,320,042	**1,229,284**	1,320,280
(-) Cash and cash equivalents	**(232,989)**	(278,006)	**(235,278)**	(280,306)
(-) Securities	**(291,883)**	(477,210)	**(306,269)**	(491,288)
Net debt	**703,832**	564,826	**687,737**	548,686
Equity	**696,635**	694,611	**696,635**	694,611

(Amounts in thousands of Brazilian reais - R$)

25. Financial instruments (Continued)

Categories of financial instruments

	Company		Consolidated	
	03/31/2014	**12/31/2013**	**03/31/2014**	**12/31/2013**
Financial assets				
Loans and receivables (including cash and banks):				
Cash and banks	**45,951**	53,251	**48,240**	55,551
Escrow deposits	**178,335**	170,080	**178,335**	170,080
Trade receivables	**513,158**	534,605	**513,661**	535,303
Related parties	**82,770**	109,474	**82,030**	108,895
Held for trading:				
Cash equivalents and securities	**478,921**	701,965	**493,307**	716,043
Financial liabilities:				
Amortized cost:				
Borrowings and financing	**1,228,704**	1,320,042	**1,229,284**	1,320,280
Trade payables	**1,527,109**	1,646,947	**1,528,393**	1,651,543
Related parties	**61,648**	73,716	**61,553**	73,619
Taxes paid in installments	**7,692**	8,286	**7,692**	8,286

Fair value measurement

Consolidated assets and liabilities at fair value are summarized as follows:

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 to approximate their carrying amounts based on the existing payment conditions. The Company has no outstanding assets or liabilities where the fair value could be measured by using non-observable relevant information (Level 3) as at March 31, 2014 and December 31, 2013.

Liquidity risk management

The Company's Management has ultimate responsibility for the management of the liquidity risk and has prepared 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$)

25. 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, based on the closest date when the Group should settle the related obligations. The tables include interest and principal cash flows. As interest flows are based on floating rates, the undiscounted amount was based on the interest curves at year-end.

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	1,528,393	-	-	1,528,393
Borrowings and financing	520,563	623,232	85,489	1,229,284
Related parties	61,553	-	-	61,553
Other payables (former members of Época Cosméticos)	4,000	8,000	-	12,000
Taxes paid in installments	7,692			7,692

Considerations on risks

The Company's and its subsidiaries' 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 furniture. 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$423,686 as at March 31, 2014 (R$432,140 as at December 31, 2013). This risk is assessed by the Company as low due to the normal dispersion of 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 adoption of more efficient collection measures. As at March 31, 2014, the Group recorded past-due or uncollectible balances under "trade receivables," whose terms were renegotiated, in the amount of R$11,582 (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.

25. Financial instruments (Continued)

Considerations on risks (Continued)

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

Interest rate risk: the Group is exposed to floating interest rates tied to the “Certificate of Interbank Deposit (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, recorded in statement of financial position and statement of income accounts, 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.

The Company does not adopt the hedge accounting under CPC 38.

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

Bank	Notional value	Fair value through gain (loss) on swap (a)	Bank index		Company index	
			Index	Interest	Index	Interest
Banco do Brasil	71,382	53,563	US$	4.79% p.a.	CDI	116.0% p.a.

(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$)

25. Financial instruments (Continued)

Sensitivity analysis of financial instruments

As of March 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 financial revenues of financial investments for the next reporting period (December 31, 2014) are as follows:

	Probable rate	Probable Scenario I	Scenario II (+ 25%)	Scenario III (+ 50%)
Interest to be incurred exposed to:				
CDI	11.25%	(33,889)	(42,361)	(50,833)
Impact on financial result, net of taxes		(22,366)	(27,958)	(33,550)

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 domestic currency. Accordingly, changes in swap instruments and borrowings and financing are offset.

26. 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 significant losses on its assets and/or liabilities.

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

	03/31/2014	12/31/2013
Civil liability and D&O	**40,000**	40,000
Sundry risks - inventories and property and equipment	**1,509,560**	1,489,041
Vehicles	**18,494**	18,369
	1,568,054	1,547,410

27. Events after the reporting period

The Share Buyback Program was concluded and all treasury shares were cancelled.

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

(a) The conclusion of the Share Buyback Program created by the Company’s Board of Directors on September 18, 2013 (“Program”). See Note 18.

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

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

28. Approval of the financial statements

The disclosure of the financial statements was approved and authorized by the Board of Directors on May 6, 2014.