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

Interim Financial Information

Magazine Luiza S.A.

September 30, 2014

Magazine Luiza S.A.

Interim financial information

September 30, 2014

Contents

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

Independent auditor's report on review of interim financial information

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2014, which comprises the balance sheet (statement of financial position) as of September 30, 2014, and the related statement of income and comprehensive income for three- and nine-month periods then ended, and the statements of changes in equity, and statements of cash flows for the nine-month period then ended, including the notes to financial statements.

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

Scope of review

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

Conclusion on the individual 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 Information Form (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 nine-month period ended September 30, 2014, prepared under management's responsibility, the presentation of which in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Financial Information (ITR), and considered supplementary information by IFRS, which do not require the presentation of an SVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

São Paulo, October 29, 2014.

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

Alexandre Rubio
Accountant CRC-1SP223361/O-2

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
September 30, 2014 and December 31, 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	**09/30/2014**	**12/31/2013**	**09/30/2014**	**12/31/2013**
Assets					
Current assets					
Cash and cash equivalents					
Securities	4.1	**113,502**	278,006	**132,755**	280,306
Trade accounts receivable	4.2	**435,164**	477,210	**435,164**	491,288
Inventories	5	**583,387**	529,922	**583,812**	530,620
Related parties	6	**1,261,424**	1,247,205	**1,268,406**	1,251,362
Taxes recoverable	7	**75,137**	109,474	**74,507**	108,895
Other assets	8	**210,992**	218,554	**211,256**	218,554
Total current assets		**48,651**	39,872	**50,524**	40,965
Assets		**2,728,257**	2,900,243	**2,756,424**	2,921,990
Noncurrent assets					
Trade receivables	5	**1,293**	4,683	**1,293**	4,683
Taxes recoverable	8	**154,069**	158,761	**154,069**	158,761
Deferred income tax and social contribution	9	**140,056**	139,253	**141,248**	139,427
Escrow deposits	17	**199,150**	170,080	**199,150**	170,080
Other assets		**51,388**	43,858	**53,391**	45,402
Investments in subsidiaries	10	**43,605**	37,403	**-**	-
Investments in joint ventures	11	**313,361**	251,747	**313,361**	251,747
Property and equipment	12	**548,841**	539,729	**549,651**	540,444
Intangible assets	13	**445,041**	438,559	**487,751**	481,370
Total noncurrent assets		**1,896,804**	1,784,073	**1,899,914**	1,791,914
Total assets		**4,625,061**	4,684,316	**4,656,338**	4,713,904

	Note	Company		Consolidated	
		09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Liabilities and equity					
Current liabilities					
Trade payables	14	**1,383,936**	1,646,947	**1,388,054**	1,651,543
Borrowings and financing	15	**447,240**	424,989	**447,664**	425,227
Payroll, vacation pay and payroll charges		**170,120**	164,489	**172,965**	166,585
Taxes payable		**35,357**	40,971	**35,977**	41,664
Related parties	7	**64,493**	73,716	**64,476**	73,619
Taxes paid in installments		**6,504**	8,286	**6,504**	8,286
Deferred revenue	16	**37,734**	36,734	**37,734**	36,734
Dividends and interest on equity payable		**-**	16,219	**-**	16,219
Other payables		**99,802**	106,631	**101,574**	107,714
Total current liabilities		**2,245,186**	2,518,982	**2,254,948**	2,527,591
Noncurrent liabilities					
Borrowings and financing	15	**1,076,868**	895,053	**1,076,868**	895,053
Provision for tax, civil and labor contingencies	17	**235,436**	226,446	**254,948**	245,882
Deferred revenue	16	**326,412**	349,224	**326,412**	349,224
Other payables		**-**	-	**2,003**	1,543
Total noncurrent liabilities		**1,638,716**	1,470,723	**1,660,231**	1,491,702
Total liabilities		**3,883,902**	3,989,705	**3,915,179**	4,019,293
Equity	18				
Capital stock		**606,505**	606,505	**606,505**	606,505
Capital reserve		**8,987**	5,640	**8,987**	5,640
Treasury shares		**(11,706)**	(20,063)	**(11,706)**	(20,063)
Legal reserve		**9,715**	9,715	**9,715**	9,715
Profit retention reserve		**39,364**	94,458	**39,364**	94,458
Other comprehensive income		**(957)**	(1,644)	**(957)**	(1,644)
Net income for the period		**89,251**	-	**89,251**	-
Total equity		**741,159**	694,611	**741,159**	694,611
Total liabilities and equity		**4,625,061**	4,684,316	**4,656,338**	4,713,904

See accompanying notes.

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Statements of income
For the three- and nine-month periods ended September 30, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Nine-month period ended				Quarter ended			
		Company		Consolidated		Company		Consolidated	
	Note	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Net sales revenue	19	**6,940,143**	5,572,564	**7,002,011**	5,609,476	**2,367,478**	2,006,416	**2,390,385**	2,020,802
Costs of goods resold and services rendered	20	**(5,054,303)**	(4,020,040)	**(5,068,757)**	(4,024,630)	**(1,705,123)**	(1,447,054)	**(1,710,851)**	(1,448,395)
Gross profit		**1,885,840**	1,552,524	**1,933,254**	1,584,846	**662,355**	559,362	**679,534**	572,407
Operating income (expenses)									
Selling	21	**(1,252,058)**	(1,076,321)	**(1,258,815)**	(1,076,321)	**(420,248)**	(371,747)	**(423,075)**	(371,747)
General and administrative	21	**(296,822)**	(262,102)	**(314,245)**	(275,591)	**(99,314)**	(91,343)	**(105,791)**	(95,875)
Doubtful account losses		**(16,617)**	(15,180)	**(16,617)**	(15,180)	**(4,820)**	(5,176)	**(4,820)**	(5,176)
Depreciation and amortization		**(82,520)**	(75,285)	**(82,848)**	(75,513)	**(28,058)**	(25,230)	**(28,167)**	(25,305)
Equity in the earnings (losses) of subsidiaries	10 and 11	**69,540**	37,156	**68,438**	34,980	**26,695**	13,104	**26,531**	12,138
Other operating income, net	21 and 22	**17,798**	92,359	**17,800**	92,410	**3,660**	10,570	**3,659**	10,582
		(1,560,679)	(1,299,373)	**(1,586,287)**	(1,315,215)	**(522,085)**	(469,822)	**(531,663)**	(475,383)
Operating profit before financial result		**325,161**	253,151	**346,967**	269,631	**140,270**	89,540	**147,871**	97,024
Finance income		**92,173**	61,249	**71,295**	45,931	**31,435**	24,293	**24,117**	17,305
Finance expenses		**(321,545)**	(216,000)	**(321,975)**	(216,086)	**(120,689)**	(82,647)	**(120,897)**	(82,668)
Financial result	23	**(229,372)**	(154,751)	**(250,680)**	(170,155)	**(89,254)**	(58,354)	**(96,780)**	(65,363)
Operating income (loss) before income tax and social contribution		**95,789**	98,400	**96,287**	99,476	**51,016**	31,186	**51,091**	31,661
Current and deferred income tax and social contribution	9	**(6,538)**	(17,568)	**(7,036)**	(18,644)	**(8,933)**	(5,810)	**(9,008)**	(6,285)
Net income for the period		**89,251**	80,832	**89,251**	80,832	**42,083**	25,376	**42,083**	25,376
Net income attributable to									
Owners of the Company		**89,251**	80,832	**89,251**	80,832	**42,083**	25,376	**42,083**	25,376
Earnings per share									
Basic and diluted (R$ per share)		**0.48**	0.43	**0.48**	0.43	**0.23**	0.14	**0.23**	0.14

See accompanying notes.

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Statement of comprehensive income
For the three- and nine-month periods ended September 30, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Nine-month period ended		Quarter ended	
	Company and Consolidated		Company and Consolidated	
	09/30/2014	**09/30/2013**	**09/30/2014**	**09/30/2013**
Net income for the period	**89,251**	80,832	**42,083**	25,376
Other comprehensive income deriving from previous periods				
Available-for-sale financial assets deriving from investments				
Available-for-sale financial assets	**(2,740)**	135	**(1,228)**	(2,243)
Tax effect	**1,096**	(54)	**491**	897
Total	**(1,644)**	81	**(737)**	(1,346)
Other comprehensive income:				
Available-for-sale financial assets deriving from investments				
Available-for-sale financial assets				
Tax effect	**1,145**	(2,430)	**(367)**	(52)
Total	**(458)**	972	**147**	21
	687	(1,458)	**(220)**	(31)
Statement of comprehensive income				
	(957)	(1,377)	**(957)**	(1,377)
Total other comprehensive income for the period, net of taxes	**88,294**	79,455	**41,126**	23,999

See accompanying notes.

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Statement of changes in equity
Nine-month period ended September 30, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Note	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		-	2,114	-	-	-	-	-	2,114
Net income for the period		-	-	-	-	-	80,832	-	80,832
		606,505	4,934	-	4,025	2,561	80,832	81	698,938
Other comprehensive income:									
Financial instruments adjustment		-	-	-	-	-	-	(1,458)	(1,458)
Balances as at September 30, 2013		**606,505**	**4,934**	**-**	**4,025**	**2,561**	**80,832**	**(1,377)**	**697,480**
Balances as at December 31, 2013									
		606,505	**5,640**	**(20,063)**	**9,715**	**94,458**	**-**	**(1,644)**	**694,611**
Stock option plan									**-**
Treasury shares		**-**	**3,347**	**-**	**-**	**-**	**-**	**-**	**3,347**
Cancellation of treasury shares		**-**	**-**	**(31,470)**	**-**	**-**	**-**	**-**	**(31,470)**
Additional dividends proposed	18	**-**	**-**	**39,827**	**-**	**(39,827)**	**-**	**-**	**-**
Net income for the period	18	**-**	**-**	**-**	**-**	**(15,267)**	**-**	**-**	**(15,267)**
		-	**-**	**-**	**-**	**-**	**89,251**	**-**	**89,251**
Other comprehensive income:		**606,505**	**8,987**	**(11,706)**	**9,715**	**39,364**	**89,251**	**(1,644)**	**740,472**
Financial instrument adjustments									
		-	**-**	**-**	**-**	**-**	**-**	**687**	**687**
Balances as at September 30 , 2014		**606,505**	**8,987**	**(11,706)**	**9,715**	**39,364**	**89,251**	**(957)**	**741,159**

See accompanying notes.

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Statement of cash flows
Nine-month period ended September 30, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Cash flow from operating activities					
Net income for the period		**89,251**	80,832	**89,251**	80,832
Adjustments to reconcile profit for the period to cash generated from operating activities:					
Income tax and social contribution expenses recognized in P&L	9	**6,538**	17,568	**7,036**	18,644
Depreciation and amortization		**82,520**	75,285	**82,848**	75,513
Interest on borrowings and financing provisioned		**119,480**	83,605	**119,480**	83,605
Yield on securities		**(22,422)**	(16,165)	**(22,745)**	(16,770)
Equity in the earnings (losses) of subsidiaries	10 and 11	**(69,540)**	(37,156)	**(68,438)**	(34,980)
Changes in allowance for asset losses		**57,893**	51,405	**57,893**	51,405
Provision for tax, civil and labor contingencies	17	**34,958**	58,463	**35,091**	58,660
Write-off of property and equipment, net of gains from sale		**1,078**	(126,443)	**1,078**	(126,443)
Appropriation of deferred revenue	22	**(24,812)**	(24,473)	**(24,812)**	(24,473)
Stock option plan expenses		**3,348**	2,114	**3,348**	2,114
		278,292	165,035	**280,030**	168,107
(Increase) decrease in operating assets:					
Receivables		**(94,619)**	(16,513)	**(94,346)**	(16,513)
Securities		**-**	-	**78,869**	(280,332)
Inventories		**(27,568)**	(82,718)	**(30,393)**	(82,718)
Related parties		**18,151**	2,323	**18,202**	2,161
Taxes recoverable		**13,812**	(12,965)	**13,548**	(12,197)
Other assets		**(43,791)**	(55,714)	**(45,030)**	(56,677)
Increase (decrease) in operating liabilities:					
Trade payables		**(263,011)**	5,975	**(263,489)**	5,974
Payroll, vacation pay and related charges		**5,631**	8,086	**6,380**	8,472
Taxes payable		**(12,955)**	(46,285)	**(13,023)**	(47,251)
Related parties		**(9,223)**	2,538	**(9,143)**	2,538
Tax paid in installments		**(1,782)**	(2,031)	**(1,782)**	(2,031)
Other payables		**(32,797)**	(19,706)	**(31,705)**	(18,896)
Cash provided by (used) in operating activities		**(169,860)**	(51,975)	**(91,882)**	(329,363)
Income tax and social contribution paid		**(1,558)**	(11,593)	**(3,079)**	(12,348)
Dividends received from subsidiaries		**24,797**	13,404	**23,697**	11,404
Net cash provided by (used) in operating activities		**(146,621)**	(50,164)	**(71,264)**	(330,307)
Cash flows from investing activities					
Purchase of property and equipment	12	**(66,527)**	(79,699)	**(66,780)**	(79,802)
Purchase of intangible assets	13	**(34,253)**	(24,948)	**(34,322)**	(25,015)
Investments in exclusive investment fund		**(992,216)**	(1,625,523)	**-**	-
Redemptions from exclusive investment fund		**1,056,684**	1,357,827	**-**	-
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		**(6,200)**	-	**-**	-
Cash deriving from (used in) investing activities		**(39,512)**	(160,882)	**(98,102)**	106,644

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Statement of cash flows (Continued)
Nine-month period ended September 30, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Cash flow from financing activities					
Borrowings and financing		**420,633**	206,857	**421,170**	206,857
Payment of borrowings and financing		**(233,299)**	(71,517)	**(233,650)**	(71,517)
Repayment of interest on borrowings and financing		**(102,748)**	(70,260)	**(102,748)**	(70,260)
Payment of dividends		**(31,486)**	-	**(31,486)**	-
Treasury shares acquired		**(31,471)**	-	**(31,471)**	-
Cash flows deriving from financing activities		**21,629**	65,080	**21,815**	65,080
Increase (decrease) in cash and cash equivalents		**(164,504)**	(145,966)	**(147,551)**	(158,583)
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		**113,502**	258,177	**132,755**	260,296
Increase (decrease) in cash and cash equivalents		**(164,504)**	(145,966)	**(147,551)**	(158,583)

See accompanying notes.

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Statement of value added
Nine-month period ended September 30, 2014 and 2013
(Amounts in thousands of Brazilian reais - R$)

	Company		Consolidated	
	09/30/2014	**09/30/2013**	**09/30/2014**	**09/30/2013**
Revenue				
Goods and products sold and services rendered	**7,792,787**	6,324,016	**7,857,766**	6,363,427
Allowance for doubtful accounts, net of reversals	**(16,617)**	(15,180)	**(16,617)**	(15,180)
Other operating revenue	**22,099**	105,831	**22,104**	105,877
	7,798,269	6,414,667	**7,863,253**	6,454,124
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	**(5,529,559)**	(4,420,923)	**(5,544,059)**	(4,425,515)
Material, electricity, outsourced services and other	**(600,253)**	(496,678)	**(614,477)**	(501,770)
Impairment of assets	**(15,450)**	(12,158)	**(15,450)**	(12,158)
	(6,145,262)	(4,929,759)	**(6,173,986)**	(4,939,443)
Gross value added	**1,653,007**	1,484,908	**1,689,267**	1,514,681
Depreciation and amortization	**(82,520)**	(75,285)	**(82,848)**	(75,513)
Net value added generated by the entity	**1,570,487**	1,409,623	**1,606,419**	1,439,168
Value added received through transfer				
Equity in the earnings of subsidiaries	**69,540**	37,156	**68,438**	34,980
Finance income	**92,173**	61,249	**71,295**	45,931
Total value added to distribute	**1,732,200**	1,508,028	**1,746,152**	1,520,079
Distribution of value added				
Personnel and charges:				
Direct compensation	**558,737**	489,615	**565,675**	495,375
Benefits	**107,832**	94,723	**108,446**	95,271
Government Severance Indemnity Fund for Employees (FGTS)	**51,214**	46,023	**51,845**	46,529
	717,783	630,361	**725,966**	637,175
Taxes, fees and contributions:				
Federal	**147,706**	176,378	**151,543**	180,504
State	**235,236**	216,698	**235,524**	216,698
Municipal	**27,394**	21,476	**28,280**	22,296
	410,336	414,552	**415,347**	419,498
Value distributed to providers of capital:				
Interest	**283,615**	183,820	**283,956**	183,820
Rentals	**193,287**	166,284	**193,615**	166,501
Other	**37,928**	32,179	**38,017**	32,253
	514,830	382,283	**515,588**	382,574
Value distributed to shareholders:				
Retained earnings	**89,251**	80,832	**89,251**	80,832
	1,732,200	1,508,028	**1,746,152**	1,520,079

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 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.

As of September 30, 2014, the Company and its subsidiaries owned 736 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 above information is not included in the scope of work of the independent auditors.

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 a 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) <u>Initial adoption as of January 1, 2014</u>

(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) Initial adoption as of January 1, 2014 (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. The Company did not identify relevant impacts on its interim financial information, due to such review.

(iv) *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 did not identify relevant impacts on its interim financial information, due to such review.

b) Issued by IASB which were not effective until the date of issue of this interim financial information and not early adopted by the Company

(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) *IFRS 15 Revenue from agreement with clients*: it establishes a five-step model applied to the revenue earned from agreement with client, regardless of the type of revenue or industry transaction. It applies to all revenue agreements and provides a model to recognize and measure gains or losses deriving from the sale of certain non-financial assets, which are not connected to the entity's usual activities (for instance, sale of properties, facilities and equipment or intangible assets). Extensive disclosures are also required by this standard. Such pronouncement shall apply for the annual periods starting as of January 1, 2017, and early application allowed.

2. Basis of presentation and accounting practices (Continued)

2.2. New standards, amendments and interpretations (Continued)

c) Amendments to current pronouncements

(i) *IFRS 5 Noncurrent Asset Held for Sale and Discontinued Operation - Changes in sales method:* it clarifies that the change in asset sales method, whether due to sale or by means of distribution to the owners, should not be considered a new sales plan, but a continuation of the original plan. Thus, the application of IFRS 5 requirements is not interrupted. The amendment also clarifies that the change in sales method does not alter the classification date. This amendment shall apply prospectively for changes in the sales method occurring in annual periods starting as of January 1, 2016, and anticipated application allowed;

(ii) *IFRS 7 Financial instruments (disclosure) - Services agreements:* it clarifies that a services agreement, which includes a management fee, may characterize continued involvement in a financial asset. An entity shall evaluate the nature of fee and a provision against the guidance for continued involvement in Paragraphs IFRS 7.B30 and IFRS 7.42C, in order to evaluate if disclosures are necessary. This amendment shall apply for annual periods starting as of January 1, 2016, and anticipated application is allowed.

IFRS 7 Financial instruments (disclosure) - Applicability of offset disclosures to the condensed financial statements: the amendment suppresses the expression "and interim periods within these annual periods" of Paragraph 44R, clarifying that IFRS 7 disclosure is not required in condensed financial statements. However, IAS 34 requires an entity to disclose "an explanation about the events and transactions which are relevant to understand the changes in financial position and entity's performance as of the end of the last annual period". Therefore, if IFRS 7 disclosures reflect a meaningful update referring to information included in recent annual report, we expect this information to be included in the condensed financial statements. This amendment shall apply retrospectively for annual periods starting as of January 1, 2016, and anticipated application is allowed;

2. Basis of presentation and accounting practices (Continued)

2.2. New standards, amendments and interpretations (Continued)

c) Amendments to current pronouncements (Continued)

(iii) *IAS 19 Employees benefit - Discount rate, issue regional market:* the amendment clarifies that first-tier corporate securities shall be evaluated based on the currency from which the obligation is denominated, instead of the country where the obligation is located. When there is no first-tier corporate securities in denominated currency, government bond rates shall be adopted. This amendment shall apply for the annual periods starting as of January 1, 2016, and anticipated application is allowed;

(iv) *IAS 34 Interim Financial Statement - Disclosure of information "in other parts of the interim financial statements":* it sets forth that the interim disclosures required shall be included or in the interim financial statements or incorporated by reference in the interim financial statements and where it is included in the interim information (for instance, in the Management's comments or risk report). This amendment shall apply retrospectively for annual periods starting as of January 1, 2016, and anticipated application is allowed.

The Company plans to adopt these rules when they become effective disclosing and recognizing the impacts on the interim information that may occur when these adoptions are applied.

CPC has not yet issued related pronouncements and amendments correlated to new and revised IFRSs previously reported. In view of the commitment by CPC and CVM to keep updated the set of rules issued based on the IASB updates, we expect these pronouncements and changes are issued by CPC and approved by CVM until the date of its mandatory application.

2. Basis of presentation and accounting practices (Continued)

2.2. New standards, amendments and interpretations (Continued)

a) Law 12973/14

The Company adhered to Law 12973/14, which introduced substantial changes to the tax laws, especially the revocation of the Transition Tax Regime – RTT, as well as the conformity of the tax rules with the new accounting rules introduced by Law 11638/07, which approached the Brazilian accounting standards with the International Financial Reporting Standards - IFRS. As a result of said option, the Company evaluates that no relevant impacts will occur on the financial statements.

There are no other standards and interpretations issued and not yet effective which, according to management, could have a relevant effect on the Company’s result or equity.

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 no longer reported:

- 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).

(Amounts in thousands of Brazilian reais - R$)

4. Cash and cash equivalents and securities

4.1. Cash and cash equivalents

		Company		Consolidated	
	Rates	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Cash		**24,086**	33,988	**24,090**	33,990
Banks		**23,319**	19,263	**26,551**	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	**65,385**	143,309	**77,776**	143,309
Non-exclusive investment funds	102.0% CDI	**712**	81,446	**4,338**	81,446
Total cash and cash equivalents		**113,502**	278,006	**132,755**	280,306

4.2. Securities

Financial assets at fair value through profit or loss	Rates	Company 09/30/2014	Company 12/31/2013	Consolidated 09/30/2014	Consolidated 12/31/2013
Held for trading					
Non-exclusive investment funds	105% CDI	**5,502**	4,968	**5,502**	19,046
Exclusive investment funds:					
Debentures	(a)	**4,689**	7,842	**4,689**	7,842
Federal government securities	(a)	**87,006**	145,041	**87,006**	145,041
Purchase and sale commitments	(a)	**213,191**	185,865	**213,191**	185,865
Time deposits and other securities	(a)	**124,776**	133,494	**124,776**	133,494
		429,662	472,242	**429,662**	472,242
Total securities		**435,164**	477,210	**435,164**	491,288

(a) Considers the exclusive fixed income investment fund. At September 30, 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 to the Company the average profitability of 103% of the CDI.

(Amounts in thousands of Brazilian reais - R$)

5. Trade receivables

	Company		Consolidated	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Trade receivables:				
Debit and credit cards (a)	**201,441**	196,530	**201,653**	197,228
Own installment program (b)	**101,217**	100,290	**101,227**	100,290
Additional warranty agreements (c)	**164,521**	134,622	**164,521**	134,622
Total trade receivables	**467,179**	431,442	**467,401**	432,140
Arising from sales agreements (d)	**191,079**	167,049	**191,282**	167,049
Allowance for doubtful accounts	**(47,577)**	(43,190)	**(47,577)**	(43,190)
Present value adjustment	**(26,001)**	(20,696)	**(26,001)**	(20,696)
Total receivables	**584,680**	534,605	**585,105**	535,303
Current assets	**583,387**	529,922	**583,812**	530,620
Noncurrent assets	**1,293**	4,683	**1,293**	4,683

The aforementioned amounts classified as trade receivables are classified as amounts receivable and measured at amortized cost. The average term to receive trade receivables is 15 days in the company and consolidated.

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 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.

Receivables were assigned to secure borrowings in the amount of R$125,111 at September 30, 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 September 30, 2014, the Company had credits granted to financial institutions totaling R$1,352,350 (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 fully allocates to Luizaseg the extended warranty amount in the month following the sale and receives it 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$)

5. Trade receivables (Continued)

Changes in the allowance for doubtful accounts are as follows:

	Company and Consolidated	
	09/30/2014	**12/31/2013**
Balance at the beginning of the year/period	**(43,190)**	(38,496)
(+) Additions	**(44,544)**	(50,256)
(-) Write-offs	**40,157**	45,562
Balance at the end of the year/period	**(47,577)**	(43,190)

The aging list of trade receivables is as follows:

	Company		Consolidated	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Falling due:				
Up to 30 days	**66,595**	73,614	**66,705**	74,009
Between 31 and 60 days	**39,523**	43,778	**39,524**	43,828
Between 61 and 90 days	**39,387**	40,930	**39,444**	40,965
Between 91 and 180 days	**76,978**	78,979	**77,012**	79,197
Between 181 and 360 days	**199,813**	158,068	**199,833**	158,068
Over 361 days	**9,371**	10,135	**9,371**	10,135
	431,667	405,504	**431,889**	406,202
Past-due:				
Up to 30 days	**8,963**	6,108	**8,963**	6,108
Between 31 and 60 days	**6,316**	4,299	**6,316**	4,299
Between 61 and 90 days	**5,574**	4,117	**5,574**	4,117
Between 91 and 180 days	**14,659**	11,414	**14,659**	11,414
	35,512	25,938	**35,512**	25,938
Total	**467,179**	431,442	**467,401**	432,140

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

	Company		Consolidated	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Falling due:				
Up to 30 days	**41,749**	23,295	**41,952**	23,295
Between 31 and 60 days	**47,555**	87,251	**47,555**	87,251
Between 61 and 90 days	**51,325**	31,799	**51,325**	31,799
Between 91 and 180 days	**48,299**	21,284	**48,299**	21,284
Between 181 and 360 days	**260**	553	**260**	553
	189,188	164,182	**189,391**	164,182
Past-due:				
Up to 30 days	**465**	2,446	**465**	2,446
Between 31 and 60 days	**1,128**	289	**1,128**	289
Between 61 and 90 days	**56**	26	**56**	26
Between 91 and 180 days	**242**	106	**242**	106
	1,891	2,867	**1,891**	2,867
Total	**191,079**	167,049	**191,282**	167,049

(Amounts in thousands of Brazilian reais - R$)

6. Inventories

	Company		Consolidated	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Resale goods	**1,271,494**	1,260,783	**1,278,476**	1,264,940
Consumption material	**10,979**	14,162	**10,979**	14,162
Provision for losses	**(21,049)**	(27,740)	**(21,049)**	(27,740)
Total	**1,261,424**	1,247,205	**1,268,406**	1,251,362

As of September 30, 2014, the Company has revolving inventories assigned as guarantee in legal lawsuits in progress, totaling approximately R$1,768 (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	
	09/30/2014	**12/31/2013**
Opening balance	**(27,740)**	(21,055)
Provision	**(13,349)**	(25,880)
Written-off or sold inventories	**20,040**	19,195
Closing balance	**(21,049)**	(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 set up based on analysis of current sales prices, less taxes and fixed expenses incurred for sales efforts, plus historical percentage of margin recovery with suppliers compared to the cost of purchase of the products. This analysis also considers items deemed to be obsolete and realization of goods transferred to technical assistance.

(Amounts in thousands of Brazilian reais - R$)

7. Related-party transactions

a) Balances from related parties

	Company		Consolidated	
Current assets	**09/30/2014**	**12/31/2013**	**09/30/2014**	**12/31/2013**
Commissions on services				
Joint ventures:				
Luizacred (i)	**17,441**	15,329	**17,441**	15,329
Luizaseg (ii)	**40,642**	38,450	**40,642**	38,450
	58,083	53,779	**58,083**	53,779
Subsidiaries:				
Luiza Administradora de Consórcios(“LAC”) (iii)	**630**	579	-	-
Reimbursement of expenses and costs with consortium draws				
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**525**	994	**525**	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)	**15,899**	37,937	**15,899**	37,937
Total	**75,137**	109,474	**74,507**	108,895
Securities				
Investment Funds (vii)	**429,662**	472,242	**429,662**	472,242

(Amounts in thousands of Brazilian reais - R$)

7. Related-party transactions (Continued)

a) Balances from related parties (Continued)

	Company		Consolidated	
Current liabilities	**09/30/2014**	**12/31/2013**	**09/30/2014**	**12/31/2013**
Transfers of receivables from services and accounts payable:				
Joint ventures:				
Luizacred (i)	**18,070**	23,606	**18,070**	23,606
Luizaseg (ii)	**43,778**	47,668	**43,778**	47,668
	61,848	71,274	**61,848**	71,274
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**486**	826	**486**	826
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**17**	97	**-**	-
	503	923	**486**	826
Rentals payable and other transfers				
Controlled by the Company’s controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**1,316**	1,426	**1,316**	1,426
PJD Agropastoril Ltda. (vi)	**35**	34	**35**	34
	1,351	1,460	**1,351**	1,460
Payables relating to advertising campaigns:				
ETCO – special partnership (v)	**791**	59	**791**	59
	64,493	73,716	**64,476**	73,619

(Amounts in thousands of Brazilian reais - R$)

7. Related-party transactions (Continued)

b) Transactions with related parties

	9-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Income from service intermediation commissions								
Joint ventures:								
Luizacred (i)	**107,207**	121,598	**107,207**	121,598	**33,522**	41,794	**33,522**	41,794
Luizaseg (ii)	**210,898**	114,366	**210,898**	114,366	**74,375**	47,054	**74,375**	47,054
	318,105	235,964	**318,105**	235,964	**107,897**	88,848	**107,897**	88,848
Subsidiaries:								
Revenue from service intermediation commissions								
Consortium Group (“LAC”) (iii)	**5,397**	5,188	**-**	-	**1,900**	1,767	**-**	-
Revenue from return on exclusive fund:								
Investment Funds (vii)	**22,024**	15,923	**22,024**	15,923	**7,752**	7,218	**7,752**	7,218
Reimbursement of shared expenses								
Joint ventures:								
Luizacred (i)	**40,876**	37,392	**40,876**	37,392	**13,278**	12,080	**13,278**	12,080
Total revenues	**386,402**	294,467	**381,005**	289,279	**130,827**	109,913	**128,927**	108,146

(Amounts in thousands of Brazilian reais - R$)

7. Related-party transactions (Continued)

b) Transactions with related parties (Continued)

	9-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Costs related to the acquisition of goods								
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**(2,428)**	-	-	-	**(619)**	-	**-**	-
Total costs	**(2,428)**	-	-	-	**(619)**	-	**-**	-

	9-month period ended		Quarter ended	
	Company and Consolidated		Company and Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Office building rental expenses				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**(10,663)**	(8,633)	**(3,592)**	(2,886)
PJD Agropastoril Ltda. (vi)	**(278)**	(282)	**(104)**	(78)
	(10,941)	(8,915)	**(3,696)**	(2,964)
Freight expenses				
PJD Agropastoril Ltda. (vi)	**(1,669)**	-	**(877)**	-
Credit card anticipation charge expenses:				
Luizacred (i)	**(56,197)**	(34,709)	**(20,592)**	(13,139)
Advertising campaign expenses				
Controlled by the Company's controlling shareholders:				
ETCO – special partnership (v)	**(166,068)**	(102,150)	**(55,294)**	(28,792)
Total expenses	**(234,875)**	(145,774)	**(80,459)**	(44,895)

7. Related-party transactions (Continued)

b) Transactions with related parties (Continued)

(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.

(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 4.2 - 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$)

7. Related-party transactions (Continued)

c) Management compensation

	09/30/2014		09/30/2013	
	Board of Directors	Board of Executive Officers	Board of Directors	Board of Executive Officers
Fixed compensation - including charges	**306**	**5,684**	198	4,652
Stock option plan	**289**	**2,198**	141	1,641

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 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 Company 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 third quarter of 2014, no stock option has been exercised. The Company has a policy of paying the Profit Sharing to its employees, amongst them, the management. These amounts have been accrued monthly by the Company, according to the target achievement estimate.

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. Recoverable taxes

	Company		Consolidated	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Recoverable ICMS (a)	**338,448**	363,218	**338,448**	363,218
Recoverable income tax and social contribution	**5,511**	8,928	**5,511**	8,928
Recoverable withholding income tax	**8,028**	3,902	**8,028**	3,902
Recoverable PIS and COFINS	**11,582**	1,252	**11,845**	1,252
Other	**1,492**	15	**1,493**	15
	365,061	377,315	**365,325**	377,315
Current assets	**210,992**	218,554	**211,256**	218,554
Noncurrent assets	**154,069**	158,761	**154,069**	158,761

(a) These refer to ICMS accumulated credits and credits arising from the so-called Tax Substitution (“substituição tributária - ST") taxation 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

	9-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Income (loss) before income tax and social contribution	**95,789**	98,400	**96,287**	99,476	**51,016**	31,186	**51,091**	31,661
Statutory rate	**34%**	34%	**34%**	34%	**34%**	34%	**34%**	34%
Expected income tax and social contribution credits at statutory rates	**(32,568)**	(33,456)	**(32,738)**	(33,822)	**(17,345)**	(10,603)	**(17,371)**	(10,765)
Reconciliation for effective rate (effects of applying tax rates):								
Exclusion - equity in the earnings (losses) of subsidiaries	**23,644**	12,633	**23,269**	11,893	**9,077**	4,455	**9,021**	4,127
Other permanent exclusions, net	**2,386**	3,255	**2,433**	3,285	**(665)**	338	**(658)**	353
Income tax and social contribution credits	**(6,538)**	(17,568)	**(7,036)**	(18,644)	**(8,933)**	(5,810)	**(9,008)**	(6,285)
Current	**(7,341)**	(17,291)	**(8,857)**	(18,327)	**(2,773)**	(5,518)	**(3,349)**	(5,993)
Deferred	**803**	(277)	**1,821**	(317)	**(6,160)**	(292)	**(5,659)**	(292)
Total	**(6,538)**	(17,568)	**(7,036)**	(18,644)	**(8,933)**	(5,810)	**(9,008)**	(6,285)
Effective tax rate	**6.8%**	17.9%	**7.3%**	18.7%	**17.5%**	18.6%	**17.6%**	19.9%

(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	
	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Deferred income tax and social contribution assets:				
Tax losses and social contribution tax loss carryforwards	**54,559**	57,769	**55,530**	57,769
Allowance for doubtful accounts	**16,176**	14,685	**16,176**	14,685
Provision for inventory losses	**7,157**	9,432	**7,216**	9,432
Provision for tax, civil and labor contingencies	**75,721**	69,676	**75,883**	69,850
Other provisions	**-**	106	**-**	106
	153,613	151,668	**154,805**	151,842
Deferred income tax and social contribution liabilities:				
Temporary difference due to adoption of RTT (1)	**(13,557)**	(12,415)	**(13,557)**	(12,415)
Deferred income tax and social contribution	**140,056**	139,253	**141,248**	139,427

(1) The Company adopted the Transition Tax Regime (RTT), as prescribed by Law 11941/09, which from the adoption of new accounting practices, creates temporary differences on taxable bases. However, in October 2014, the Company adhered to Law 12973/14, which revokes the Transition Tax Regime (RTT), as described in detail in Note 2.2. Thus, these effects will be reported in the next financial statements in accordance with their appropriate nature, under deferred income tax and social contribution.

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 nondeductible differences, the existence of nontaxable income, nondeductible 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 nondeductible differences should not be considered an indication of the Company’s and its subsidiaries’ future profits.

(Amounts in thousands of Brazilian reais - R$)

10. Investment in subsidiaries

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

Subsidiary	Main activity	Equity interest - % 09/30/2014
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	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Units of interest/shares held	**4,155**	4,155	**6,500**	6,500
Current assets	**8,009**	5,343	**20,805**	17,080
Noncurrent assets	**6,690**	5,664	**3,199**	2,754
Current liabilities	**4,447**	4,971	**5,962**	4,314
Noncurrent liabilities	**19,035**	19,035	**2,480**	1,944
Capital stock	**10,355**	4,155	**6,500**	6,500
Equity	**(8,783)**	(12,999)	**15,562**	13,576
Net revenue	**18,988**	3,790	**28,681**	35,090
Net income (loss) for the year/period	**(1,984)**	(635)	**3,086**	3,304

	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Changes in investments				
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	**-**	-	**(1,100)**	(2,000)
Advance for future capital increase (AFAC)	**6,200**	-	**-**	-
Equity in the earnings (losses) of subsidiaries	**(1,984)**	(635)	**3,086**	3,304
Balance at the end of the year/period	**28,043**	23,827	**15,562**	13,576

Total investments in subsidiaries

	09/30/2014	**12/31/2013**
Consortium group ("LAC")	**15,562**	13,576
Época Cosméticos	**28,043**	23,827
	43,605	37,403

11. Investments in joint ventures

	Luizacred (a)		Luizaseg (b)	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Total shares - in thousands	**978**	978	**13,883**	13,883
Direct interest percentage	**50%**	50%	**50%**	50%
Current assets	**3,841,204**	3,655,436	**162,642**	168,900
Noncurrent assets	**448,218**	384,972	**159,902**	132,388
Current liabilities	**3,673,844**	3,553,144	**161,242**	195,718
Noncurrent liabilities	**66,269**	62,262	**83,889**	27,076
Capital stock	**274,624**	274,624	**13,884**	13,884
Equity	**549,309**	425,002	**77,413**	78,494
Net revenue	**1,287,870**	1,479,584	**234,732**	217,790
Net income (loss) for the year/period	**124,306**	89,182	**12,570**	19,748

	Luizacred		Luizaseg	
	09/30/2014	**12/31/2013**	**09/30/2014**	**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)	**(7,511)**	(10,046)
Other comprehensive income	**-**	-	**687**	(1,725)
Equity in the earnings (losses) of subsidiaries	**62,153**	44,590	**6,285**	9,874
Balance at the end of the year/period	**274,654**	212,501	**38,707**	39,246

	09/30/2014	**12/31/2013**
Total investments in joint ventures		
Luizacred	**274,654**	212,501
Luizaseg	**38,707**	39,246
	313,361	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 period ended September 30, 2014 are as follows:

	Company	Consolidated
Net property and equipment at December 31, 2013	539,729	540,444
Additions	66,527	66,780
Write-offs	(1,884)	(1,884)
Depreciation	(55,531)	(55,689)
Net property and equipment at September 30, 2014	**548,841**	**549,651**
Breakdown of property and equipment at September 30, 2014:		
Cost of property and equipment	951,305	953,361
Accumulated depreciation	(402,464)	(403,710)
Net property and equipment at September 30, 2014	**548,841**	**549,651**

During the first nine months of the year, no indications that property and equipment items might be impaired were identified.

13. Intangible assets

Changes in intangible assets for the period ended September 30, 2014 are as follows:

	Company	Consolidated
Net intangible assets at December 31, 2013	438,559	481,370
Additions	34,253	34,322
Write-offs	(782)	(782)
Amortization	(26,989)	(27,159)
Net intangible assets at September 30, 2014	**445,041**	**487,751**
Breakdown of intangible assets at September 30, 2014		
Cost of the intangible assets	624,776	668,366
Accumulated amortization	(179,735)	(180,615)
Net intangible assets at September 30, 2014	**445,041**	**487,751**

During the nine-month period, no indications that intangible assets might be impaired were identified.

(Amounts in thousands of Brazilian reais - R$)

14. Trade payables

	Company		Consolidated	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Resale of goods - domestic market	**1,393,096**	1,650,884	**1,396,710**	1,655,106
Other suppliers	**15,450**	16,853	**15,954**	17,227
Present value adjustment	**(24,610)**	(20,790)	**(24,610)**	(20,790)
	1,383,936	1,646,947	**1,388,054**	1,651,543

(Amounts in thousands of Brazilian reais - R$)

15. Borrowings and financing

				Company		Consolidated	
Type	Charge	Collaterals	Final maturity	09/30/2014	12/31/2013	09/30/2014	12/31/2013
Working capital (a)	107.5% to 116% of CDI	"Aval" guarantees and credit card receivables	Dec/19	**517,299**	692,430	**517,723**	692,668
Finance leases (b)	CDI/LIBOR	Fiduciary sale/ escrow deposits	Dec/19	**24,284**	18,677	**24,284**	18,677
Debentures - Restricted offer (c)	108.8 % to 114.5% of CDI	-	Nov/19	**973,517**	608,935	**973,517**	608,935
Innovation financing -FINEP- (d)	4% p.a.	Bank guarantee	Dec/22	**9,008**	-	**9,008**	-
				1,524,108	1,320,042	**1,524,532**	1,320,280
Current liabilities				**447,240**	424,989	**447,664**	425,227
Noncurrent liabilities				**1,076,868**	895,053	**1,076,868**	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 replace the charges contracted for CDI-indexed floating interest rates. 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$1,495 (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, 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 nonconvertible 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. On June 17, 2014, the 1st General Meeting of 1st issue debenture holders was held, which approved to change the issue effectiveness period from 30 to 66 months, altering the debentures amortization flow; 25% were amortized on June 26, 2014 and 75% will be amortized on June 16, 2017, also altering interest payment date, due to the change of effectiveness period. Interest rates corresponding to each capitalization period shall be due half-yearly as of the issue date and the remuneration rate remains at 113% of the accumulated variation of Interbank Deposits (DI) daily average rates.

On March 7, 2013, the Company conducted the second issue of unsecured and nonconvertible 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 nonconvertible 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.

On May 30, 2014, the Company conducted its fourth issue of unsecured and nonconvertible debentures in a single series, for tender offer with restricted placement efforts. 40,000 debentures were issued with unit face value of R$10, totaling R$400,000. Debentures will have five-year term and will accrue 112.0% interest of accumulated variation of DI average rates.

(d) 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 and backed by a letter of guarantee. The first installment was released until September 30, 2014, in the total amount of R$8,994.

(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 3.0 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 September 30, 2014.

16. Deferred revenue

	Company and Consolidated	
	09/30/2014	**12/31/2013**
Deferred revenue with third parties:		
Exclusive dealing agreement with Banco Itaúcard (a)	**162,125**	171,501
Exploration right agreement - payroll (b)	**4,935**	5,806
Sales agreement - Cardif (c)	**26,109**	31,359
Exploration right agreement - technological assistance (e)	**2,000**	-
	195,169	208,666
Deferred revenue from related parties:		
Exclusive dealing agreement with Luizacred (d)	**168,977**	177,292
Total deferred revenue	**364,146**	385,958
Current liabilities	**37,734**	36,734
Noncurrent liabilities	**326,412**	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 of 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.

(Amounts in thousands of Brazilian reais - R$)

16. 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) On 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.

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 ("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.

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 September 30, 2014, in noncurrent 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	Payments	Inflation adjustment	09/30/2014
Tax	178,659	23,069	(8,787)	(18,563)	9,200	**183,578**
Civil	10,405	9,753	-	(4,787)	-	**15,371**
Labor	37,382	5,811	(4,088)	(2,618)	-	**36,487**
	226,446	38,633	(12,875)	(25,968)	9,200	**235,436**

Consolidated

	12/31/2013	Additions	Reversal	Payments	Inflation adjustment	09/30/2014
Tax	194,943	23,069	(8,787)	(18,563)	9,200	**199,862**
Civil	10,651	9,807	(9)	(4,816)	-	**15,633**
Labor	40,288	5,911	(4,100)	(2,646)	-	**39,453**
	245,882	38,787	(12,896)	(26,025)	9,200	**254,948**

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

As of September 30, 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$19,970 at September 30, 2014 (R$30,447 at December 31, 2013), of which approximately R$1,768 is guaranteed by revolving inventories of the 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$8,449 at September 30, 2014 (R$7,045 at December 31, 2013), with a provision for tax risks in 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$54,922 at September 30, 2014 (R$43,750 as of December 31, 2013).

(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$42,518 at September 30, 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$26,582 at September 30, 2014 (R$31,865 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.

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

a) Tax lawsuits (Continued)

(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$44,990 at September 30, 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$2,431 at September 30, 2014 (R$5,934 at December 31, 2013).

b) Civil lawsuits

Consolidated civil contingencies of R$15,633 at September 30, 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$29,930 at September 30, 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 counsels.

(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$9,523 at September 30, 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$199,150 at September 30, 2014 (R$170,080 at December 31, 2013).

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

The Company is a party to other lawsuits that were assessed by management, based on the opinion of its legal counsels, 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 subsidiaries figure as defendants. The amount estimated by management and its legal counsels relating to these lawsuits, which are at the administrative or court level, is R$390,124 at September 30, 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 the Administrative Board of Tax Appeals (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$215,194.

ICMS - Administrative and legal lawsuits, relating to tax-deficiency notices issued due to: (i) acquisition of goods from suppliers, whose registrations were later declared inefficient by the tax authority, in the estimated amount of R$15,805; and (ii) 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; amongst others involving lower amounts, the estimated amount of lawsuits is R$55,520, (iii) and other different discussions in the estimated amount of R$42,935.

(b) Civil and labor lawsuits

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

18. Equity

a) 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, in the last quarter, 1,337,600 of its shares to be held in treasury, at the average cost of R$8.75.

b) Profit reserve

On April 17, 2014, the Annual and Extraordinary Shareholders' Meeting was held, which approved the payment of dividends in the amount of R$19,486. The Company had already accrued for mandatory dividends in 2013, in the amount of R$4,219. Thus, the provision for additional dividends was recorded in the amount of R$15,267.

(Amounts in thousands of Brazilian reais - R$)

19. Net sales revenue

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Gross revenue:								
Retail - resale of goods	**7,843,158**	6,442,303	**7,860,321**	6,442,303	**2,658,186**	2,306,349	**2,665,130**	2,306,349
Retail - services rendered	**348,707**	262,264	**365,334**	272,999	**119,086**	98,686	**124,938**	104,137
Consortium management	**-**	-	**31,443**	28,676	**-**	-	**11,363**	9,810
	8,191,865	6,704,567	**8,257,098**	6,743,978	**2,777,272**	2,405,035	**2,801,431**	2,420,296
Taxes and returns:								
Resale of goods	**(1,205,200)**	(1,097,020)	**(1,205,803)**	(1,097,020)	**(393,743)**	(385,089)	**(393,997)**	(385,089)
Services rendered	**(46,522)**	(34,983)	**(49,284)**	(37,482)	**(16,051)**	(13,530)	**(17,049)**	(14,405)
	(1,251,722)	(1,132,003)	**(1,255,087)**	(1,134,502)	**(409,794)**	(398,619)	**(411,046)**	(399,494)
Net sales revenue	**6,940,143**	5,572,564	**7,002,011**	5,609,476	**2,367,478**	2,006,416	**2,390,385**	2,020,802

20. Cost of goods resold and services rendered

	Nine -month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Costs:								
Goods resold	**(5,054,303)**	(4,020,040)	**(5,058,650)**	(4,020,040)	**(1,705,123)**	(1,447,054)	**(1,707,186)**	(1,447,054)
Services rendered	**-**	-	**(10,107)**	(4,590)	**-**	-	**(3,665)**	(1,341)
	(5,054,303)	(4,020,040)	**(5,068,757)**	(4,024,630)	**(1,705,123)**	(1,447,054)	**(1,710,851)**	(1,448,395)

(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:

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Personnel expenses	**(795,395)**	(713,827)	**(795,395)**	(713,827)	**(270,294)**	(245,014)	**(270,294)**	(245,014)
Service providers expenses	**(344,425)**	(271,971)	**(344,425)**	(271,971)	**(108,844)**	(87,421)	**(108,844)**	(87,421)
Other	**(391,262)**	(260,266)	**(415,440)**	(273,704)	**(136,764)**	(120,085)	**(146,069)**	(124,605)
	(1,531,082)	(1,246,064)	**(1,555,260)**	(1,259,502)	**(515,902)**	(452,520)	**(525,207)**	(457,040)
Classified by function as:								
Selling expenses	**(1,252,058)**	(1,076,321)	**(1,258,815)**	(1,076,321)	**(420,248)**	(371,747)	**(423,075)**	(371,747)
General and administrative expenses	**(296,822)**	(262,102)	**(314,245)**	(275,591)	**(99,314)**	(91,343)	**(105,791)**	(95,875)
Other operating income, net	**17,798**	92,359	**17,800**	92,410	**3,660**	10,570	**3,659**	10,582
	(1,531,082)	(1,246,064)	**(1,555,260)**	(1,259,502)	**(515,902)**	(452,520)	**(525,207)**	(457,040)

22. Other operating income, net

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Gain (loss) on sale of property and equipment (a)	**(1,078)**	126,443	**(1,078)**	126,443	**(136)**	116	**(136)**	116
Recognition of deferred revenue (b)	**24,812**	24,473	**24,812**	24,473	**8,188**	7,647	**8,188**	7,647
Provision for tax losses	**(2,004)**	(39,104)	**(2,004)**	(39,104)	**(2,855)**	4,768	**(2,855)**	4,768
Non-recurring expenses (c)	**(4,215)**	(19,410)	**(4,215)**	(19,410)	**(1,633)**	(2,171)	**(1,633)**	(2,171)
Other	**283**	(43)	**285**	8	**96**	210	**95**	222
Total	**17,798**	92,359	**17,800**	92,410	**3,660**	10,570	**3,659**	10,582

(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. The remaining balance of R$111 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 16.

(c) Expenses referring to stores shutdown. In 2013, it substantially referred to provisions and write-offs deriving from chain merger process.

(Amounts in thousands of Brazilian reais - R$)

23. Financial income (expenses), net

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013	09/30/2014	09/30/2013
Finance income:								
Interest on extended warranty sales	**46,493**	33,164	**46,493**	33,164	**16,128**	11,969	**16,128**	11,969
Income from short-term financial investments and securities	**25,689**	18,927	**4,798**	3,609	**9,060**	9,141	**1,737**	2,153
Interest on sale of goods - interest on delay in receivables	**3,736**	2,813	**3,736**	2,813	**1,394**	923	**1,394**	923
Exchange gains	**168**	33	**168**	33	**-**	-	**-**	-
Discount obtained	**14,086**	6,083	**14,086**	6,083	**4,849**	2,256	**4,849**	2,256
Other	**2,001**	229	**2,014**	229	**4**	4	**9**	4
	92,173	61,249	**71,295**	45,931	**31,435**	24,293	**24,117**	17,305
Financial expenses:								
Interest on borrowings and financing	**(133,047)**	(95,787)	**(133,047)**	(95,787)	**(51,621)**	(37,481)	**(51,621)**	(37,481)
Charges on credit card advances	**(150,568)**	(88,022)	**(150,909)**	(88,022)	**(54,607)**	(33,226)	**(54,772)**	(33,226)
Provision for interest on extended warranty	**(25,826)**	(20,229)	**(25,826)**	(20,229)	**(9,927)**	(7,917)	**(9,927)**	(7,917)
Exchange losses	**(265)**	(296)	**(265)**	(296)	**(265)**	(15)	**(265)**	(15)
Other	**(11,839)**	(11,666)	**(11,928)**	(11,752)	**(4,269)**	(4,008)	**(4,312)**	(4,029)
	(321,545)	(216,000)	**(321,975)**	(216,086)	**(120,689)**	(82,647)	**(120,897)**	(82,668)
Net financial result	**(229,372)**	(154,751)	**(250,680)**	(170,155)	**(89,254)**	(58,354)	**(96,780)**	(65,363)

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 the primary segments for disclosure of information. The characteristics of these divisions are described below:

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

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

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

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

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

(Amounts in thousands of Brazilian reais - R$)

24. Segment reporting (Continued)

Statement of income

	09/30/2014			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	**8,231,052**	**643,935**	**117,366**	**31,443**
Revenue deductions	**(1,252,325)**	**-**	**-**	**(2,762)**
Segment net revenue	**6,978,727**	**643,935**	**117,366**	**28,681**
Costs	**(5,064,047)**	**(83,980)**	**(12,228)**	**(10,107)**
Gross profit	**1,914,680**	**559,955**	**105,138**	**18,574**
Selling expenses	**(1,258,815)**	**(211,729)**	**(87,115)**	**-**
General and administrative expenses	**(299,428)**	**(1,587)**	**(16,506)**	**(14,817)**
Result from allowance for doubtful accounts	**(16,617)**	**(248,517)**	**-**	**-**
Depreciation and amortization	**(82,610)**	**(4,883)**	**(2)**	**(238)**
Equity in earnings (losses) of subsidiaries	**71,524**	**-**	**-**	**-**
Other operating income	**17,798**	**10,317**	**143**	**2**
Financial income (expenses), net	**(251,773)**	**-**	**8,802**	**1,093**
Income tax and social contribution	**(5,508)**	**(41,403)**	**(4,175)**	**(1,528)**
Net income for the period	**89,251**	**62,153**	**6,285**	**3,086**
Equity accounting reconciliation				
Equity in the earnings of LAC (Note 10)	**3,086**			
Equity in the earnings of Luizacred (Note 11)	**62,153**			
Equity in the earnings of Luizaseg (Note 11)	**6,285**			
(=) Equity accounting of retail segment	**71,524**			
(-) Elimination effect - LAC	**(3,086)**			
(=) Consolidated equity in the earnings of subsidiaries	**68,438**			

(*) 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)

	09/30/2013			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	6,720,490	541,146	73,356	28,676
Revenue deductions	(1,132,003)	-	-	(2,499)
Segment net revenues	5,588,487	541,146	73,356	26,177
Costs	(4,020,040)	(53,939)	(7,356)	(9,778)
Gross profit	1,568,447	487,207	66,000	16,399
Selling expenses	(1,076,321)	(189,322)	(49,534)	-
General and administrative expenses	(262,102)	(1,377)	(9,760)	(13,489)
Result from allowance for doubtful accounts	(15,180)	(250,401)	-	-
Depreciation and amortization	(75,285)	(4,924)	(14)	(228)
Equity in the earnings (losses) of subsidiaries	37,156	-	-	-
Other operating income	92,359	5,044	10	51
Financial income (expenses), net	(170,674)	-	5,736	519
Income tax and social contribution	(17,568)	(18,700)	(4,985)	(1,076)
Net income (loss) for the period	80,832	27,527	7,453	2,176
Equity accounting reconciliation				
Equity in the earnings of LAC	2,176			
Equity in the earnings of Luizacred	27,527			
Equity in the earnings of Luizaseg	7,453			
(=) Equity accounting of retail segment	37,156			
(-) Elimination effect - LAC	(2,176)			
(=) Consolidated equity in the earnings (losses) of subsidiaries	34,980			

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

(Amounts in thousands of Brazilian reais - R$)

24. Segment reporting (Continued)

Statement of financial position

	09/30/2014			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Assets				
Cash and cash equivalents	113,755	5,372	4,051	19,000
Securities	435,164	5,388	130,646	-
Trade receivables	585,105	1,905,321	-	-
Inventories of goods for resale	1,304,825	-	-	-
Investments	328,923	-	-	-
Property and equipment and intangible assets	1,036,368	89,610	3	1,034
Other	844,385	139,020	26,572	3,969
	4,648,525	2,144,711	161,272	24,003
Liabilities				
Trade payables	1,387,550	-	1,819	504
Borrowings and financing	1,524,532	-	-	-
Interbank deposits	-	1,101,096	-	-
Credit card operations	-	663,982	-	-
Insurance reserves	-	-	95,508	-
Provision for contingencies	254,471	25,538	209	477
Deferred revenue	364,146	7,500	-	-
Other	376,667	71,941	25,029	7,460
	3,907,366	1,870,057	122,565	8,441
Equity	741,159	274,654	38,707	15,562

Investment reconciliation	
Investment in subsidiaries	
Investment in LAC (Note 10)	15,562
Investment in joint ventures	
Investment in Luizacred (Note 11)	274,654
Investment in Luizaseg (Note 11)	38,707
	313,361
Total investments	328,923
(-) Elimination effect - LAC	(15,562)
(=) Consolidated investment balance in joint ventures	313,361

(*) 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 balance in joint ventures	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 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 the 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 noncurrent 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 as under:

	Company		**Consolidated**	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Borrowings and financing	**1,524,108**	1,320,042	**1,524,532**	1,320,280
(-) Cash and cash equivalents	**(113,502)**	(278,006)	**(132,755)**	(280,306)
(-) Securities	**(435,164)**	(477,210)	**(435,164)**	(491,288)
Net debt	**975,442**	564,826	**956,613**	548,686
Equity	**741,159**	694,611	**741,159**	694,611

(Amounts in thousands of Brazilian reais - R$)

25. Financial instruments (Continued)

Categories of financial instruments

	Company		Consolidated	
	09/30/2014	**12/31/2013**	**09/30/2014**	**12/31/2013**
Financial assets				
Loans and receivables (including cash and banks):				
Cash and banks	**47,405**	53,251	**50,641**	55,551
Escrow deposits	**199,150**	170,080	**199,150**	170,080
Trade receivables	**584,680**	534,605	**585,105**	535,303
Related parties	**75,137**	109,474	**74,507**	108,895
Held for trading:				
Cash equivalents and securities	**501,261**	701,965	**517,278**	716,043
Financial liabilities:				
Amortized cost:				
Borrowings and financing	**1,524,108**	1,320,042	**1,524,532**	1,320,280
Trade payables	**1,383,936**	1,646,947	**1,388,054**	1,651,543
Related parties	**64,493**	73,716	**64,476**	73,619
Taxes paid in installments	**6,504**	8,286	**6,504**	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 approximating their carrying amounts based on the existing payment conditions. The Company has no outstanding assets or liabilities where the fair value could be measured by using non-observable relevant information (Level 3) as at September 30, 2014 and December 31, 2013.

(Amounts in thousands of Brazilian reais - R$)

25. Financial instruments (Continued)

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.

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 consolidated
Trade payables	**1,388,054**	**-**	**-**	**1,388,054**
Borrowings and financing	**447,664**	**739,552**	**337,316**	**1,524,532**
Related parties	**64,476**	**-**	**-**	**64,476**
Other payables (former members of Época Cosméticos)	**12,000**	**-**	**-**	**12,000**
Taxes paid in installments	**6,504**	**-**	**-**	**6,504**

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 real properties. The main market risk factors affecting the Company's business are as follows:

25. Financial instruments (Continued)

Considerations on risks (Continued)

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$467,401 as at September 30, 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 September 30, 2014, the Group recorded past-due or uncollectible balances under "trade receivables," whose terms were renegotiated, in the amount of R$11,614 (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.

The credit risk of our "joint venture" Luizacred, which has its effects recognized in this financial statement by the equity method, also refers to the eventual non-receipt of amounts billed to clients by Luizacred means of payments. This risk is managed through credit granting, which observes policies and criteria established by Itaú Unibanco's Modeling and Credit Policy area, both for CDC granting (consumer direct credit), and for the issue of "Luiza" credit cards. The policies are defined based on statistical models, adopting as decision criterion, the Risk Adjusted Return on Capital (RAROC) model.

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 "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, 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.

(Amounts in thousands of Brazilian reais - R$)

25. Financial instruments (Continued)

Considerations on risks (Continued)

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 September 30, 2014:

Bank	Notional value	Fair value through gain (loss) on swap	Bank index		Company index	
			Index	Interest	Index	Interest
		(a)				
Banco do Brasil	50,236	35,430	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.

Sensitivity analysis of financial instruments

As of September 30, 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 (December 31, 2014) are as follows:

	Probable rate	Probable Scenario I	Scenario II (+ 25%)	Scenario III (+ 50%)
Interest to be incurred exposed to:				
CDI	11.00%	**(44,297)**	**(55,371)**	**(66,445)**
Impact on financial result, net of taxes		**(29,236)**	**(36,545)**	**(43,854)**

(Amounts in thousands of Brazilian reais - R$)

25. Financial instruments (Continued)

Sensitivity analysis of financial instruments (Continued)

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.

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 any losses on its assets and/or liabilities.

As of September 30, 2014 and December 31, 2013, insurance coverage is as follows:

	09/30/2014	12/31/2013
Civil liability and D&O	**40,000**	40,000
Sundry risks - inventories and property and equipment	**1,546,574**	1,489,041
Vehicles	**17,832**	18,369
	1,604,406	1,547,410

27. Approval of the financial statements

The disclosure of the financial statements was approved and authorized by the Board of Directors on October 29, 2014.