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Localiza Rent a Car S.A.

Interim financial information (ITR) at June 30, 2014 and report on review of interim financial information

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Report on review of interim financial information

To the Board of Directors and Shareholders
Localiza Rent a Car S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Localiza Rent a Car S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2014, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity 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 Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Localiza Rent a Car S.A.

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statement of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2014. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted 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 have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, July 25, 2014

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" MG

Guilherme Campos e Silva
Contador CRC 1SP218254/O-1 "S" MG

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1. General information

Corporate name	LOCALIZA RENT A CAR SA
Date of adoption of the corporate name	10/2/1995
Type	Publicly-held corporation
Previous corporate name	LOCALIZA RENT A CAR LTDA
Date of establishment	9/28/1973
Federal Corporate Taxpayers' Registration Number (CNPJ)	16.670.085/0001-55
Brazilian Securities Commission (CVM) code	1973-9
CVM registration date	5/6/2005
CVM registration status	Active
Date of effectiveness of status	5/6/2005
Home country	Brazil
Country in which the securities are held in custody	Brazil

Other countries in which the securities can be traded

Country	Date of admission

Activity sector	Transportation and Logistics Services
Description of activities	Car and fleet rental
Issuer category	Category A
Date of registration in the current category	1/1/2010
Issuer status	Operating phase
Date of effectiveness of status	5/6/2005
Type of ownership control	Private
Date of last change in ownership control	5/22/2013
Date of last change of the fiscal year	
Month/day of the end of the fiscal year	12/31
Issuer's website on the Internet	www.localiza.com

Newspapers in which the issuer discloses its information

Name of newspapers in which the issuer discloses its information	State
Diário Oficial de Minas Gerais (Minas Gerais Official Gazette)	MG
Jornal Diário do Comércio	MG
Portal online - "Rede Divulgação" - www.rededivulgacao.com.br	BR

2. Address

Mail address	Av Bernardo Monteiro, 1563, Funcionários, Belo Horizonte, MG, Brasil, CEP 30150-902, Telephone (31) 32477040, Fax (31) 32477755, E-mail controladoria@localiza.com
Headquarters' address	Av Bernardo Monteiro, 1563, Funcionários, Belo Horizonte, MG, Brasil, CEP 30150-902, Telephone (31) 32477040, Fax (31) 32477755, E-mail controladoria@localiza.com

3. Securities

Shares

		Trading			Listing	
Market	**Managing entity**	**Beginning**	**End**	**Trading segment**	**Beginning**	**End**
Stock exchange	BM&FBOVESPA	5/6/2005		New Market	5/23/2005	

Debentures

		Trading			Listing	
Market	**Managing entity**	**Beginning**	**End**	**Trading segment**	**Beginning**	**End**
Stock exchange	BM&FBOVESPA	7/2/2007		Traditional	7/10/2007	
Organized OTC	CETIP	5/5/2010		Traditional	5/10/2010	

Commercial notes

		Trading			Listing	
Market	**Managing entity**	**Beginning**	**End**	**Trading segment**	**Beginning**	**End**
Organized OTC	CETIP	12/29/2010		Traditional	12/29/2010	

4. Auditor

Does the Issuer have an auditor?	YES
CVM code	287-9
Type of auditor	Brazilian Firm
Name/Corporate name	PricewaterhouseCoopers Auditores Independentes
Individual Taxpayers' Registration Number (CPF)/ Federal Corporate Taxpayers' Registration Number (CNPJ)	61.562.112/0005-54
Period of services	3/26/2012

Partner responsible	Period of services	CPF
Guilherme Campos e Silva	3/26/2012	714.114.966-04

5. Share registrar

Does the Company have a service provider?	YES
Corporate name	Banco Bradesco S.A.
CNPJ	60.746.948/0001-12
Period of services	5/6/2005
Service address	Av. Yara, Prédio Amarelo, s/n, Cidade de Deus, São Paulo, SP, Brasil, CEP 06029-900, Telephone (31) 36849441, Fax (31) 36842094, E-mail 4010.acoes@bradesco.com.br

6. Investor Relations Officer or equivalent

Name	Roberto Antônio Mendes Investor Relations Officer
CPF/CNPJ	137.768.946-87
Mail address	Av. Bernardo Monteiro, 1563, Funcionários, Belo Horizonte, MG, Brasil, CEP 30150-902, Telephone (31) 32477040, Fax (31) 32477755, E-mail ri@localiza.com
Date when the person assumed the position	1/3/2005
Date when the person left the position	

7. Shareholders' department

CONTACT	**Nora Mascarenhas Lanari**
Date when the person assumed the position	**11/8/2012**
Date when the person left the position	
Mail address	Av Bernardo Monteiro, 1563, Funcionários, Belo Horizonte, MG, Brasil, CEP 30150-902, Telephone (31) 32477040, Fax (31) 32477755, E-mail ri@localiza.com

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Company information / capital structure

Number of shares (In thousand)	Current quarter 6/30/2014
Paid-up capital	
Common shares	211,793
Preferred shares	0
Total	211,793
Treasury shares	
Common shares	3,502
Preferred shares	0
Total	3,502

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Company information/cash dividends

Event	Approval	Description	Initial date of payment	Type of share	Class of share	Earnings per share (Real/share)
Board of Directors' Meeting	3/19/2014	Interest on capital	5/14/2014	Common		0.06690
Board of Directors' Meeting	12/18/2013	Interest on capital	2/10/2013	Common		0.08077
Shareholders' Ordinary and Extraordinary General Meeting	4/29/2014	Dividend	5/16/2014	Common		0.18538
Board of Directors' Meeting	6/30/2014	Interest on capital	8/28/2014	Common		0.07200

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Parent company financial statements / balance sheet - assets

(All amounts in thousands of reais)

Code	Description	Current period 6/30/2014	Prior period 12/31/2013
1	Total assets	4,061,383	4,123,317
1.01	Current assets	824,822	1,054,049
1.01.01	Cash and cash equivalents	405,764	621,518
1.01.03	Trade receivables	344,088	333,231
1.01.03.01	Trade receivables	344,088	333,231
1.01.06	Taxes recoverable	15,820	6,372
1.01.06.01	Current recoverable taxes	15,820	6,372
1.01.07	Prepaid expenses	15,909	244
1.01.08	Other current assets	43,241	92,684
1.01.08.01	Non-current assets for sale	393	119
1.01.08.03	Other	42,848	92,565
1.01.08.03.01	Dividends receivable	0	54,496
1.01.08.03.02	Other	42,848	38,069
1.02	Non-current assets	3,236,561	3,069,268
1.02.01	Long-term receivables	45,260	52,695
1.02.01.06	Deferred taxes	19,879	28,033
1.02.01.06.01	Deferred income tax and social contribution	19,879	28,033
1.02.01.08	Receivables from related parties	571	487
1.02.01.08.02	Receivables from subsidiaries	571	487
1.02.01.09	Other non-current assets	24,810	24,175
1.02.01.09.03	Escrow deposits	24,727	24,092
1.02.01.09.04	Other	83	83
1.02.02	Investments	1,036,750	948,849
1.02.02.01	Equity interests	1,036,750	948,849
1.02.02.01.02	Interests in subsidiaries	1,036,750	948,849
1.02.03	Property and equipment	2,105,469	2,023,369
1.02.03.01	Property and equipment in service	2,095,641	2,013,663
1.02.03.02	Property and equipment leased	7,092	7,663
1.02.03.03	Property and equipment in progress	2,736	2,043
1.02.04	Intangible assets	49,082	44,355
1.02.04.01	Intangible assets	49,082	44,355
1.02.04.01.02	Software	49,082	44,355

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Parent company financial statements / balance sheet - liabilities and equity

(All amounts in thousand of reais)

Code	Description	Current period 6/30/2014	Prior period 12/31/2013
2	Total liabilities and equity	4,061,383	4,123,317
2.01	Current liabilities	772,360	749,233
2.01.01	Social and labor obligations	54,437	53,559
2.01.01.01	Social obligations	6,623	6,779
2.01.01.02	Labor obligations	47,814	46,780
2.01.02	Trade payables	471,685	386,954
2.01.02.01	Domestic trade payables	471,685	386,954
2.01.03	Tax obligations	9,549	26,389
2.01.03.01	Federal tax obligations	8,813	25,380
2.01.03.01.01	Income tax and social contribution payable	0	16,630
2.01.03.01.02	Other federal taxes	8,813	8,750
2.01.03.03	Municipal tax obligations	736	1,009
2.01.04	Loans and financing	186,049	172,514
2.01.04.01	Loans and financing	62,821	54,502
2.01.04.01.01	In local currency	61,272	53,112
2.01.04.01.02	In foreign currency	1,549	1,390
2.01.04.02	Debentures	121,561	116,149
2.01.04.03	Finance leases	1,667	1,863
2.01.05	Other obligations	50,640	109,817
2.01.05.01	Payables to related parties	698	772
2.01.05.01.02	Payables to subsidiaries	698	772
2.01.05.02	Other	49,942	109,045
2.01.05.02.01	Dividends and interest on capital payable	12,792	53,076
2.01.05.02.04	Other current liabilities	37,150	55,969
2.02	Non-current liabilities	1,762,440	2,032,876
2.02.01	Loans and financing	1,641,588	1,924,357
2.02.01.01	Loans and financing	202,228	461,289
2.02.01.01.01	In local currency	79,228	93,083
2.02.01.01.02	In foreign currency	123,000	368,206
2.02.01.02	Debentures	1,438,489	1,461,681
2.02.01.03	Finance leases	871	1,387
2.02.02	Other obligations	11,514	10,171
2.02.02.01	Liabilities with related parties	937	0
2.02.02.01.01	Debts with associates	937	0
2.02.02.02	Other	10,577	10,171
2.02.02.02.03	Other non-current liabilities	10,577	10,171
2.02.03	Deferred taxes	64,661	58,655
2.02.03.01	Deferred income tax and social contribution	64,661	58,655
2.02.04	Provisions	44,618	39,611
2.02.04.01	Tax, social security, labor and civil provisions	44,618	39,611
2.02.04.01.01	Tax provisions	3,566	3,526
2.02.04.01.02	Social security and labor provisions	32,250	28,146
2.02.04.01.04	Civil provisions	8,802	7,939
2.02.06	Deferred revenues	59	82
2.02.06.02	Deferred revenues	59	82
2.03	Equity	1,526,583	1,341,208
2.03.01	Share capital	976,708	976,708
2.03.02	Capital reserves	38,068	30,180
2.03.02.01	Share premium	82,374	77,636
2.03.02.04	Options granted	15,929	15,428
2.03.02.05	Treasury shares	-60,235	-62,884
2.03.04	Revenue reserves	334,320	334,320
2.03.04.01	Legal reserve	59,508	59,508
2.03.04.02	Statutory reserve	274,812	274,812
2.03.05	Retained earnings	177,487	0

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Parent company financial statements / statement of income

(All amounts in thousand of reais unless otherwise stated)

1 - Code	2 - Description	Current quarter 4/1/2014 to 6/30/2014	Accumulated - current year 1/1/2014 to 6/30/2014	Same quarter of prior year 4/1/2013 to 6/30/2013	Accumulated - prior year 1/1/2013 to 6/30/2013
3.01	Revenue from sale of goods and/or services	656,752	1,357,727	584,647	1,156,024
3.02	Cost of goods and/or services sold	-467,524	-985,241	-430,418	-852,352
3.03	Gross profit	189,228	372,486	154,229	303,672
3.04	Operating income/expenses	-30,516	-52,114	-15,266	-40,634
3.04.01	Selling expenses	-61,690	-119,143	-54,967	-107,471
3.04.02	General and administrative expenses	-27,533	-48,487	-21,387	-43,028
3.04.05	Other operating expenses	-50	-226	-64	-129
3.04.06	Equity in the results of subsidiaries	58,757	115,742	61,152	109,994
3.05	Result from operations before finance result and taxes	158,712	320,372	138,963	263,038
3.06	Finance result	-44,740	-82,267	-21,387	-42,789
3.06.01	Finance income	15,500	35,334	13,742	25,563
3.06.02	Finance costs	-60,240	-117,601	-35,129	-68,352
3.07	Profit before taxes on income	113,972	238,105	117,576	220,249
3.08	Income tax and social contribution	-13,361	-31,687	-14,132	-27,992
3.08.01	Current	0	-21,814	-7,117	-14,574
3.08.02	Deferred	-13,361	-9,873	-7,015	-13,418
3.09	Profit from continuing operations	100,611	206,418	103,444	192,257
3.11	Profit for the period	100,611	206,418	103,444	192,257
3.99	Earnings per share - (Real /share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.48340	0.99159	0.51268	0.96742
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.48114	0.98545	0.51092	0.96362

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Parent company financial statements / statement of comprehensive income

(All amounts in thousand of reais)

1 - Code	2 - Description	Current quarter 4/1/2014 to 6/30/2014	Accumulated - current year 1/1/2014 to 6/30/2014	Same quarter of prior year 4/1/2013 to 6/30/2013	Accumulated - prior year 1/1/2013 to 6/30/2013
4.01	Profit for the period	100,611	206,418	103,444	192,257
4.03	Comprehensive income for the period	100,611	206,418	103,444	192,257

(A free translation of the original in Portuguese)

Parent company financial statements / statement of cash flows - indirect method

(All amounts in thousand of reais)

Code	Description	Accumulated - current period 1/1/2014 to 6/30/2014	Accumulated - prior period 1/1/2013 to 6/30/2013
6.01	Net cash provided by (used in) operating activities	-7,312	65,162
6.01.01	Cash flows provided by operating activities	844,942	708,499
6.01.01.01	Profit	206,418	192,257
6.01.01.02	Depreciation and amortization	57,467	52,858
6.01.01.03	Residual value of property and equipment disposals	674,874	548,216
6.01.01.04	Deferred income tax and social contribution	9,873	13,418
6.01.01.05	Equity in the results of subsidiaries	-115,742	-109,994
6.01.01.06	Other	12,052	11,744
6.01.02	Variation in assets and liabilities	-639,615	-576,249
6.01.02.01	Trade receivables	-8,950	-2,487
6.01.02.02	Acquisition of cars, net of changes in balances with car makers	-715,491	-669,793
6.01.02.03	Escrow deposits	-623	-1,396
6.01.02.04	Taxes recoverable	-10,078	-4,090
6.01.02.05	Other assets	-11,461	34,320
6.01.02.06	Trade payables - other	-3,941	-3,235
6.01.02.07	Social and labor obligations	962	11,872
6.01.02.08	Taxes payable	21,813	14,574
6.01.02.09	Interest on loans, financing, debentures and other payables	115,547	66,470
6.01.02.10	Insurance premiums	-6,313	-2,657
6.01.02.11	Other liabilities	-21,080	-19,827
6.01.03	Other	-212,639	-67,088
6.01.03.01	Income tax and social contribution paid	-32,550	-11,787
6.01.03.02	Interest on loans, financing and debentures paid	-180,089	-55,301
6.02	Net cash provided by (used in) investing activities	60,290	-7,740
6.02.01	Purchase of other property and equipment	-2,687	-11,469
6.02.02	Purchase of intangible assets	-7,583	-5,428
6.02.03	Payment of capital in subsidiary	-109,078	0
6.02.04	Dividends of subsidiaries	190,955	9,157
6.02.05	Merger of investment balance of subsidiaries	4,578	0
6.02.06	Acquisition of investment, goodwill and fair value increment	-15,895	0
6.03	Net cash used in financing activities	-268,732	-91,887
6.03.01	Loans and financing - proceeds	236	1,792
6.03.02	Loans and financing - repayments	-180,928	-30,399
6.03.04	Debentures - amortizations	-24,000	0
6.03.05	Dividends	-38,612	-5,143
6.03.06	Interest on capital	-30,737	-30,419
6.03.08	Treasury shares	0	-36,782
6.03.09	Other	5,309	9,064
6.05	Decrease in cash and cash equivalents	-215,754	-34,465
6.05.01	Cash and cash equivalents at the beginning of the period	621,518	713,017
6.05.02	Cash and cash equivalents at the end of the period	405,764	678,552

(A free translation of the original in Portuguese)

Parent company financial statements / statement of changes in equity - 1/1/2014 to 6/30/2014

(All amounts in thousands of reais)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	976,708	30,180	334,320	0	0	1,341,208
5.03	Adjusted opening balances	976,708	30,180	334,320	0	0	1,341,208
5.04	Capital transactions with shareholders	0	7,888	0	-28,931	0	-21,043
5.04.03	Options granted recognized	0	2,579	0	0	0	2,579
5.04.05	Treasury shares sold	0	5,309	0	0	0	5,309
5.04.07	Interest on capital	0	0	0	-28,931	0	-28,931
5.05	Total comprehensive income	0	0	0	206,418	0	206,418
5.05.01	Profit	0	0	0	206,418	0	206,418
5.07	Closing balances	976,708	38,068	334,320	177,487	0	1,526,583

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Parent company financial statements / statement of changes in equity - 1/1/2013 to 6/30/2013

(All amounts in thousands of reais)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity
5.01	Opening balances	601,708	48,067	674,978	0	0	1,324,753
5.03	Adjusted opening balances	601,708	48,067	674,978	0	0	1,324,753
5.04	Capital transactions with shareholders	375,000	-24,635	-375,000	-30,035	0	-54,670
5.04.01	Capital increase	375,000	0	-375,000	0	0	0
5.04.03	Options granted recognized	0	3,083	0	0	0	3,083
5.04.04	Treasury shares purchased	0	-36,782	0	0	0	-36,782
5.04.05	Treasury shares sold	0	9,064	0	0	0	9,064
5.04.07	Interest on capital	0	0	0	-30,035	0	-30,035
5.05	Total comprehensive income	0	0	0	192,257	0	192,257
5.05.01	Profit	0	0	0	192,257	0	192,257
5.07	Closing balances	976,708	23,432	299,978	162,222	0	1,462,340

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Parent company financial statements / statement of value added

(All amounts in thousands of reais)

Code	Description	Accumulated - current period 1/1/2014 to 6/30/2014	Accumulated - prior period 1/1/2013 to 6/30/2013
7.01	Revenue	1,387,055	1,176,083
7.01.01	Sale of goods and services	1,387,800	1,172,108
7.01.02	Other revenues	0	1,874
7.01.03	Revenues related to the construction of own assets	1,540	4,181
7.01.04	Recognition/Reversal of provision for impairment of trade receivables	-2,285	-2,080
7.02	Inputs acquired from third parties	-836,330	-717,201
7.02.01	Cost of products, goods and services sold	-778,017	-662,526
7.02.02	Materials, energy, third-party services and other	-58,313	-54,675
7.03	Gross value added	550,725	458,882
7.04	Retentions	-57,467	-52,858
7.04.01	Depreciation, amortization and depletion	-57,467	-52,858
7.05	Net value added	493,258	406,024
7.06	Value added received through transfer	151,076	135,557
7.06.01	Equity in results of subsidiaries	115,742	109,994
7.06.02	Finance income	35,334	25,563
7.07	Total net value added for distribution	644,334	541,581
7.08	Distribution of value added	644,334	541,581
7.08.01	Personnel	144,783	133,047
7.08.01.01	Salaries and wages	115,232	102,436
7.08.01.02	Benefits	19,792	20,738
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	7,180	6,790
7.08.01.04	Other	2,579	3,083
7.08.02	Taxes, charges and contributions	111,716	92,742
7.08.02.01	Federal	85,055	67,387
7.08.02.02	State	21,949	21,115
7.08.02.03	Municipal	4,712	4,240
7.08.03	Remuneration of third parties' capital	181,417	123,535
7.08.03.01	Interest	117,601	68,352
7.08.03.02	Rentals	63,816	55,183
7.08.04	Remuneration of own capital	206,418	192,257
7.08.04.01	Interest on capital	28,931	30,035
7.08.04.03	Retained earnings	177,487	162,222

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - assets

(All amounts in thousands of reais)

Code	Description	Current period 6/30/2014	Prior period 12/31/2013
1	Total assets	4,769,936	4,578,200
1.01	Current assets	1,475,457	1,493,420
1.01.01	Cash and cash equivalents	935,147	1,010,740
1.01.03	Trade receivables	429,135	408,262
1.01.03.01	Trade receivables	429,135	408,262
1.01.06	Taxes recoverable	22,864	9,544
1.01.06.01	Current recoverable taxes	22,864	9,544
1.01.07	Prepaid expenses	22,029	244
1.01.08	Other current receivables	66,282	64,630
1.01.08.01	Non-current assets for sale	13,476	16,520
1.01.08.03	Other	52,806	48,110
1.02	Non-current assets	3,294,479	3,084,780
1.02.01	Long-term receivables	157,920	77,661
1.02.01.03	Trade receivables	4,379	7,143
1.02.01.03.01	Trade receivables	4,379	7,143
1.02.01.06	Deferred taxes	25,263	32,359
1.02.01.06.01	Deferred income tax and social contribution	25,263	32,359
1.02.01.09	Other non-current assets	128,278	38,159
1.02.01.09.03	Investments in marketable securities	87,510	0
1.02.01.09.04	Escrow deposits	40,685	38,076
1.02.01.09.05	Other	83	83
1.02.03	Property and equipment	3,062,133	2,947,474
1.02.03.01	Property and equipment in service	2,754,910	2,722,060
1.02.03.02	Property and equipment leased	304,487	223,131
1.02.03.03	Property and equipment in progress	2,736	2,283
1.02.04	Intangible assets	74,426	59,645
1.02.04.01	Intangible assets	74,426	59,645
1.02.04.01.02	Goodwill on acquisition of investments	22,077	12,354
1.02.04.01.03	Software	52,349	47,291

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - liabilities and equity

(All amounts in thousands of reais)

Code	Description	Current period 6/30/2014	Prior period 12/31/2013
2	Total liabilities and equity	4,769,936	4,578,200
2.01	Current liabilities	1,034,491	976,658
2.01.01	Social and labor obligations	72,280	73,904
2.01.01.01	Social obligations	9,031	9,400
2.01.01.02	Labor obligations	63,249	64,504
2.01.02	Trade payables	560,942	460,482
2.01.02.01	Domestic trade payables	560,942	460,482
2.01.03	Tax obligations	35,195	48,761
2.01.03.01	Federal tax obligations	33,226	46,882
2.01.03.01.01	Income tax and social contribution payable	21,638	35,238
2.01.03.01.02	Other federal taxes	11,588	11,644
2.01.03.03	Municipal tax obligations	1,969	1,879
2.01.04	Loans and financing	308,069	275,394
2.01.04.01	Loans and financing	75,642	65,665
2.01.04.01.01	In local currency	74,093	64,275
2.01.04.01.02	In foreign currency	1,549	1,390
2.01.04.02	Debentures	121,561	116,149
2.01.04.03	Finance leases	110,866	93,580
2.01.05	Other obligations	58,005	118,117
2.01.05.02	Other	58,005	118,117
2.01.05.02.01	Dividends and interest on capital payable	12,792	53,076
2.01.05.02.04	Other current liabilities	45,213	65,041
2.02	Non-current liabilities	2,208,862	2,260,334
2.02.01	Loans and financing	1,995,084	2,068,145
2.02.01.01	Loans and financing	501,106	575,448
2.02.01.01.01	In local currency	378,106	207,242
2.02.01.01.02	In foreign currency	123,000	368,206
2.02.01.02	Debentures	1,438,489	1,461,681
2.02.01.03	Finance leases	55,489	31,016
2.02.02	Other obligations	13,769	14,115
2.02.02.01	Liabilities with related parties	937	0
2.02.02.01.01	Debts with associates	937	0
2.02.02.02	Other	12,832	14,115
2.02.02.02.03	Other non-current liabilities	12,832	14,115
2.02.03	Deferred taxes	129,275	111,795
2.02.03.01	Deferred income tax and social contribution	129,275	111,795
2.02.04	Provisions	58,868	50,933
2.02.04.01	Tax, social security, labor and civil provisions	58,868	50,933
2.02.04.01.01	Tax provisions	5,998	5,675
2.02.04.01.02	Social security and labor provisions	40,634	34,742
2.02.04.01.04	Civil provisions	12,236	10,516
2.02.06	Deferred revenues	11,866	15,346
2.02.06.02	Deferred revenues	11,866	15,346
2.03	Equity	1,526,583	1,341,208
2.03.01	Share capital	976,708	976,708
2.03.02	Capital reserves	38,068	30,180
2.03.02.01	Share premium	82,374	77,636
2.03.02.04	Options granted	15,929	15,428
2.03.02.05	Treasury shares	-60,235	-62,884
2.03.04	Revenue reserves	334,320	334,320
2.03.04.01	Legal reserve	59,508	59,508
2.03.04.02	Statutory reserve	274,812	274,812
2.03.05	Retained earnings	177,487	0

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of income

(All amounts in thousands of reais unless otherwise stated)

1 - Code	2 - Description	Current quarter 4/1/2014 to 6/30/2014	Accumulated - current year 1/1/2014 to 6/30/2014	Same quarter of prior year 4/1/2013 to 6/30/2013	Accumulated - prior year 1/1/2013 to 6/30/2013
3.01	Revenue from sale of goods and/or services	904,571	1,849,624	813,126	1,606,430
3.02	Cost of goods and/or services sold	-609,350	-1,270,411	-553,991	-1,105,624
3.03	Gross profit	295,221	579,213	259,135	500,806
3.04	Operating income (expenses)	-110,806	-209,900	-94,264	-187,854
3.04.01	Selling expenses	-76,556	-149,520	-67,990	-134,993
3.04.02	General and administrative expenses	-34,106	-59,964	-26,215	-52,650
3.04.05	Other operating expenses	-144	-416	-59	-211
3.05	Results from operations before finance result and taxes	184,415	369,313	164,871	312,952
3.06	Finance result	-42,642	-76,948	-21,108	-44,108
3.06.01	Finance income	25,816	55,927	17,518	31,718
3.06.02	Finance costs	-68,458	-132,875	-38,626	-75,826
3.07	Profit before taxes on income	141,773	292,365	143,763	268,844
3.08	Income tax and social contribution	-41,162	-85,947	-40,319	-76,587
3.08.01	Current	-21,528	-65,658	-27,560	-54,576
3.08.02	Deferred	-19,634	-20,289	-12,759	-22,011
3.09	Profit from continuing operations	100,611	206,418	103,444	192,257
3.11	Profit for the period	100,611	206,418	103,444	192,257
3.11.01	Attributable to the Company's owners	100,611	206,418	103,444	192,257
3.99	Earnings per share - (Real / share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.48304	0.99159	0.51268	0.96742
3.99.02	Diluted earnings per share				
3.99.02.01	Common shares	0.48114	0.98545	0.51092	0.96362

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of comprehensive income

(All amounts in thousands of reais)

1 - Code	2 - Description	Current quarter 4/1/2014 to 6/30/2014	Accumulated - current year 1/1/2014 to 6/30/2014	Same quarter of prior year 4/1/2013 to 6/30/2013	Accumulated - prior year 1/1/2013 to 6/30/2013
4.01	Consolidated profit for the period	100,611	206,418	103,444	192,257
4.03	Consolidated comprehensive income for the period	100,611	206,418	103,444	192,257
4.03.01	Attributable to shareholders of the parent company	100,611	206,418	103,444	192,257

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of cash flows - indirect method

(All amounts in thousands of reais)

1 - Code	2 - Description	Accumulated - current period 1/1/2014 to 6/30/2014	Accumulated - prior period 1/1/2013 to 6/30/2013
6.01	Net cash provided by operating activities	96,879	115,292
6.01.01	Cash flows provided by operating activities	1,181,964	1,011,566
6.01.01.01	Profit	206,418	192,257
6.01.01.02	Depreciation and amortization	121,371	129,333
6.01.01.03	Residual value of property and equipment disposals	818,446	653,502
6.01.01.04	Deferred income tax and social contribution	20,289	22,011
6.01.01.05	Other	15,440	14,463
6.01.02	Variation in assets and liabilities	-818,053	-765,260
6.01.02.01	Trade receivables	-16,661	-19,990
6.01.02.02	Acquisition of cars, net of changes in balances with car makers	-923,034	-849,448
6.01.02.03	Escrow deposits	-2,609	-1,992
6.01.02.04	Taxes recoverable	-21,602	-11,871
6.01.02.05	Other assets	-17,977	-10,337
6.01.02.06	Trade payables (except for car makers)	-561	705
6.01.02.07	Social and labor obligations	-1,610	12,407
6.01.02.08	Taxes payable	65,653	54,576
6.01.02.09	Interest on loans, financing, debentures and other liabilities	130,470	72,932
6.01.02.10	Insurance premiums	-6,313	-2,657
6.01.02.11	Other liabilities	-23,809	-9,585
6.01.03	Other	-267,032	-131,014
6.01.03.01	Income tax and social contribution paid	-72,745	-48,666
6.01.03.02	Interest paid	-194,287	-82,348
6.02	Net cash used in investing activities	-131,863	-18,126
6.02.01	Purchases of other property and equipment	-21,665	-11,851
6.02.02	Purchases of intangible assets	-8,235	-6,275
6.02.03	Investment in marketable securities	-87,510	0
6.02.04	Acquisition of investment, goodwill and fair value increment	-14,453	0
6.03	Net cash used in financing activities	-40,609	-67,077
6.03.01	Loans and financing - proceeds	289,857	46,172
6.03.02	Loans and financing - repayments	-242,426	-49,969
6.03.04	Debentures - proceeds	-24,000	0
6.03.05	Dividends	-38,612	-5,143
6.03.06	Interest on capital	-30,737	-30,419
6.03.07	Exercise of share options with treasury shares, net	0	-36,782
6.03.08	Other	5,309	9,064
6.05	Increase (decrease) in cash and cash equivalents	-75,593	30,089
6.05.01	Cash and cash equivalents at the beginning of the period	1,010,740	823,866
6.05.02	Cash and cash equivalents at the end of the period	935,147	853,955

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of changes in equity - 1/1/2014 to 6/30/2014

(All amounts in thousands of reais)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	976,708	30,180	334,320	0	0	1,341,208	0	1,341,208
5.03	Adjusted opening balances	976,708	30,180	334,320	0	0	1,341,208	0	1,341,208
5.04	Capital transactions with shareholders	0	7,888	0	-28,931	0	-21,043	0	-21,043
5.04.03	Options granted recognized	0	2,579	0	0	0	2,579	0	2,579
5.04.05	Treasury shares sold	0	5,309	0	0	0	5,309	0	5,309
5.04.07	Interest on capital	0	0	0	-28,931	0	-28,931	0	-28,931
5.05	Total comprehensive income	0	0	0	206,418	0	206,418	0	206,418
5.05.01	Profit	0	0	0	206,418	0	206,418	0	206,418
5.07	Closing balances	976,708	38,068	334,320	177,487	0	1,526,583	0	1,526,583

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of changes in equity - 1/1/2013 to 6/30/2013

(All amounts in thousands of reais)

Code	Description	Paid-up share capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings (accumulated losses)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	601,708	48,067	674,978	0	0	1,324,753	0	1,324,753
5.03	Adjusted opening balances	601,708	48,067	674,978	0	0	1,324,753	0	1,324,753
5.04	Capital transactions with shareholders	375,000	-24,635	-375,000	-30,035	0	-54,670	0	-54,670
5.04.01	Capital increases	375,000	0	-375,000	0	0	0	0	0
5.04.03	Options granted recognized	0	3,083	0	0	0	3,083	0	3,083
5.04.04	Treasury shares purchased	0	-36,782	0	0	0	-36,782	0	-36,782
5.04.05	Treasury shares sold	0	9,064	0	0	0	9,064	0	9,064
5.04.07	Interest on capital	0	0	0	-30,035	0	-30,035	0	-30,035
5.05	Total comprehensive income	0	0	0	192,257	0	192,257	0	192,257
5.05.01	Profit	0	0	0	192,257	0	192,257	0	192,257
5.07	Closing balances	976,708	23,432	299,978	162,222	0	1,462,340	0	1,462,340

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of value added

(All amounts in thousands of reais)

Code	Description	Accumulated - current period 1/1/2014 to 6/30/2014	Accumulated - prior period 1/1/2013 to 6/30/2013
7.01	Revenue	1,893,648	1,639,850
7.01.01	Sale of goods and services	1,894,852	1,627,186
7.01.02	Other revenues	0	11,624
7.01.03	Revenues related to the construction of own assets	1,540	4,181
7.01.04	Recognition/Reversal of provision for impairment of trade receivables	-2,744	-3,141
7.02	Inputs acquired from third parties	-1,037,025	-874,536
7.02.01	Cost of products, goods and services sold	-970,968	-812,454
7.02.02	Materials, energy, third-party services and other	-66,057	-62,082
7.03	Gross value added	856,623	765,314
7.04	Retentions	-121,371	-129,333
7.04.01	Depreciation, amortization and depletion	-121,371	-129,333
7.05	Net value added	735,252	635,981
7.06	Value added received through transfer	55,927	31,718
7.06.02	Finance income	55,927	31,718
7.07	Total value added to be distributed	791,179	667,699
7.08	Distribution of value added	791,179	667,699
7.08.01	Personnel	187,933	171,906
7.08.01.01	Salaries and wages	151,469	134,069
7.08.01.02	Benefits	23,959	25,861
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	9,926	8,893
7.08.01.04	Other	2,579	3,083
7.08.02	Taxes, charges and contributions	199,169	171,894
7.08.02.01	Federal	160,463	135,751
7.08.02.02	State	32,003	30,196
7.08.02.03	Municipal	6,703	5,947
7.08.03	Remuneration of third parties' capital	197,659	131,642
7.08.03.01	Interest	132,875	75,826
7.08.03.02	Rentals	64,784	55,816
7.08.04	Remuneration of own capital	206,418	192,257
7.08.04.01	Interest on capital	28,931	30,035
7.08.04.03	Retained earnings	177,487	162,222

Comments on company performance

R$ million

1 - Car rental	2Q13	% of net revenue	2Q14	% of net revenue	Var. %	1H13	% of net revenue	1H14	% of net revenue	Var. %
Net revenue	601.1	100.0%	669.1	100.0%	**11.3%**	1,188.4	100.0%	1,385.7	100.0%	**16.6%**
Costs	(426.4)	-70.9%	(461.4)	-69.0%	**8.2%**	(844.1)	-71.0%	(975.1)	-70.4%	**15.5%**
Operating expenses (SG&A):							-			
Selling	(59.8)	-9.9%	(66.2)	-9.9%	**10.7%**	(118.2)	-9.9%	(128.3)	-9.3%	**8.5%**
General, administrative and other expenses	(22.0)	-3.7%	(28.2)	-4.2%	**28.2%**	(44.0)	-3.7%	(50.1)	-3.6%	**13.9%**
Earnings Before Interest and Taxes (EBIT)	**92.9**	15.5%	**113.3**	16.9%	**22.0%**	**182.1**	15.3%	**232.2**	**16.8%**	**27.0%**

2 - Fleet rental	2Q13	% of net revenue	2Q14	% of net revenue	Var. %	1H13	% of net revenue	1H14	% of net revenue	Var. %
Net revenue	207.0	100.0%	231.2	100.0%	**11.7%**	408.6	100.0%	454.8	100.0%	**11.3%**
Costs	(124.0)	-59.9%	(144.4)	-62.5%	**16.5%**	(254.6)	-62.3%	(288.3)	-63.4%	**13.2%**
Operating expenses (SG&A):										
Selling	(8.7)	-4.2%	(11.0)	-4.8%	**26.4%**	(18.1)	-4.4%	(22.6)	-5.0%	**24.9%**
General, administrative and other expenses	(5.1)	-2.5%	(6.8)	-2.9%	**33.3%**	(10.4)	-2.5%	(11.9)	-2.6%	**14.4%**
Earnings Before Interest and Taxes (EBIT)	**69.2**	33.4%	**69.0**	29.8%	**-0.3%**	**125.5**	**30.7%**	**132.0**	**29.0%**	**5.2%**

3 - Franchising	2Q13	% of net revenue	2Q14	% of net revenue	Var. %	1H13	% of net revenue	1H14	% of net revenue	Var. %
Net revenue	5.0	100.0%	4.3	100.0%	**-14.0%**	9.4	100.0%	9.1	100.0%	**-3.2%**
Costs	(2.2)	-44.0%	(2.2)	-51.2%	**0.0%**	(4.2)	-44.7%	(3.9)	-42.9%	**-7.1%**
Operating expenses (SG&A):										
Selling	-	-	-	-	-	-	-	(0.1)	-1.1%	-
General, administrative and other expenses	-	-	-	-	-	-	-	-	-	-
Earnings Before Interest and Taxes (EBIT)	**2.8**	**56.0%**	**2.1**	**48.8%**	**-25.0%**	**5.2**	**55.3%**	**5.1**	**56.0%**	**-1.9%**

4 - Consolidated	2Q13	% of net revenue	2Q14	% of net revenue	Var. %	1H13	% of net revenue	1H14	% of net revenue	Var. %
Net revenue	813.1	100.0%	904.6	100.0%	**11.3%**	1,606.5	100.0%	1,849.6	100.0%	**15.1%**
Costs (*)	(554.0)	-68.1%	(609.4)	-67.4%	**10.0%**	(1,105.6)	-68.8%	(1,270.4)	-68.7%	**14.9%**
Operating expenses (SG&A) (*):										
Selling	(68.0)	-8.4%	(76.6)	-8.5%	**12.6%**	(135.0)	-8.4%	(149.5)	-8.1%	**10.7%**
General, administrative and other expenses	(26.3)	-3.2%	(34.2)	-3.8%	**30.0%**	(53.0)	-3.3%	(60.4)	-3.3%	**14.0%**
EBIT (CR + FM + FR)	**164.8**	20.3%	**184.4**	20.4%	**11.9%**	**312.9**	**19.5%**	**369.3**	**20.0%**	**18.0%**
Financial expenses, net	(21.1)	-2.6%	(42.6)	-4.7%	**101.9%**	(44.1)	-2.7%	(76.9)	-4.2%	**74.4%**
Operating Income	**143.7**	17.7%	**141.8**	15.7%	**-1.3%**	**268.8**	**16.7%**	**292.4**	**15.8%**	**8.8%**
Income tax and social contribution	(40.3)	-5.0%	(41.2)	-4.6%	**2.2%**	(76.5)	-4.8%	(86.0)	-4.6%	**12.4%**
Profit	**103.4**	12.7%	**100.6**	11.1%	**-2.7%**	**192.3**	**12.0%**	**206.4**	**11.2%**	**7.3%**
									-	

(*) The consolidated balance includes reclassifications of R$ 1.4 million between the accounts of costs and operating expenses in 2Q14 (R$ 1.4 million in 2Q13) and R$ 3.1 million in 1H14 (R$ 2.7 million in 1H13).

Comments on company performance

Net revenue

The Company's consolidated net revenues in 1H14 increased by 15.1%, basically due to:

- Increase of 16.6% in the net revenue from the Car Rental Division (includes revenue from the sale of decommissioned cars for the fleet renewal), reflecting the growth of 11.4% in revenues from car rentals, due to: (i) increase of 10.4% in the volume of daily car rentals and 2.5% in the average rate. Revenues from sales of decommissioned cars for the renewal of the fleet of this division increased 21.3% due to the increase of 20.7% in the number of cars sold.

- Increase of 11.3% in the net revenue from fleet rental (includes revenue from the sale of decommissioned cars for the fleet renewal), reflecting the increase of 43.2% in the revenues from sales of decommissioned cars for the renewal of the fleet of this division due to the increase of 48.4% in the number of cars sold, partially offset by the decrease of 3.4% in the average price of the cars sold. The net revenue from the fleet rental division decreased 2.0% due to the decrease of 5.9% in the volume of daily car rentals, partially offset by the increase of 4.7% in the average daily rate.

Revenues from franchising decreased R$ 0.3 million.

The Company's consolidated net revenues in 2Q14 increased by 11.3%, basically due to:

- Increase of 11.3% in the net revenue from the Car Rental Division (includes revenue from the sale of decommissioned cars for the fleet renewal), reflecting the growth of 13.0% in revenues from car rentals, due to: (i) increase of 10.6% in the volume of daily car rentals and 3.6% in the average rate. Revenues from sales of decommissioned cars for the renewal of the fleet of this division increased 9.9% due to the increase of 8.9% in the number of cars sold.

- Increase of 11.7% in the net revenue from fleet rental (includes revenue from the sale of decommissioned cars for the fleet renewal), reflecting the increase of 52.0% in the revenues from sales of decommissioned cars for the renewal of the fleet of this division due to the increase of 53.8% in the number of cars sold. The net revenue from the fleet rental division decreased 4.8% due to the decrease of 7.4% in the volume of daily car rentals, partially offset by the increase of 3.8% in the average daily rate.

- Revenues from franchising decreased R$ 0.7 million.

Costs

Consolidated costs increased 14.9% in 1H14 or R$ 164.8 million, basically reflecting: (i) the increase of 25.2% in the costs of cars sold due to the increase of 25.3% in the number of decommissioned cars for fleet renewal; (ii) 4.7%increase in the costs of salaries, social charges and profit-sharing due to the employees' progression and promotion programs which take place in May; and (iii) 11.2% increase in the real estate rental costs, affected by the inflation and market. This increase was partially offset by the decrease of 1.6% in the car maintenance costs and 7.5% in cars depreciation although the fleet has increased 1.6%.

In 2Q14, the costs increased 10.0% reflecting: (i) 15.8% increase in the costs of cars sold due to the increase of 16.2% in the number of decommissioned cars for fleet renewal; (ii) 4.6% increase in the costs of salaries, social charges and profit-sharing due to the employees' progression and promotion programs which take place in

Comments on company performance

May; and (iii) 8.9% increase in the real estate rental costs, affected by the inflation and market. This increase was partially offset by the decrease of 6.0% in the cars depreciation although the fleet has increased 1.6%.

As a percentage of consolidated net revenues, consolidated costs remained almost unchanged, at around 68.0% in the two quarters and six-month periods under analysis.

Operating expenses

The consolidated operating expenses increased 11.6% or R$ 21.9 million in 1H14. This increase was mainly caused by the: (i) higher real estate rental expenses due to inflation, (ii) expenses with strategic consulting, (iii) increase in expenses of salaries and payroll charges due to the employees' progression and promotion programs which take place in May and (iv) increase of the provision for labor litigation provision. As a percentage of net revenues, operating expenses decreased 0.4 p.p., from 11.7% in 1H13 to 11.3% in 1H14. The Company has been adopting the policy of not increasing the car rental rate, due to the gains of scale, in order to consolidate the market and increase the volume of car rental.

Finance costs, net

Net finance costs increased R$ 21.5 million in 2Q14 (R$ 32.8 million in 1H14) basically due to: (i) R$ 9.6 million in 2Q14 (R$ 18.8 million in 1H14) arising from the increase of the Interbank Deposit Certificate (CDI) rate variation from 7.4% to 10.8% in 2Q14 (from 7.2% to 10.6% in 1H14); (ii) R$ 1.1 million in 2Q14 (R$ 1.0 million in 1H14) arising from the increase of the average debt around 4.0% in 2Q14 (2.0% in 1H14), (iii) R$ 4.1 million in 2Q14 and 1H14, arising from the non-recurring finance cost arising from the premium prepaid in the settlement of the loans and financing transaction, and (iv) credit effect of the mark-to-market in 2Q13 of swap transactions of R$ 4.9 million (R$ 8.9 million in 1H13).

Income tax and social contribution

The income tax and social contribution expenses increased 12.4% in 1H14, or R$ 9.5 million, due to the increase in the profit generated in the period. The effective income tax and social contribution rate did not change significantly, increasing from 28.5% in 1H13 to 29.4% in 1H14.

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES

Notes to the interim financial information
for the period ended June 30, 2014
All amounts in thousands of Reais unless otherwise stated

1. OPERATION

Localiza Rent a Car S.A. ("Localiza"), headquartered at Avenida Bernardo Monteiro, 1.563, Belo Horizonte, Minas Gerais State, has, since May 2005, been a Brazilian publicly-held company listed on the BM&FBovespa (Sao Paulo Securities, Commodities and Futures Exchange) Novo Mercado, which characterizes the highest Corporate Governance level in the Brazilian capital market. Localiza's shares are traded under the ticker symbol RENT3.

The main activities of Localiza and its subsidiaries ("Company") comprise car rental, fleet rental and franchising. As part of its fleet renewal program, Localiza and its subsidiary Localiza Fleet S.A. ("Localiza Fleet") sell their decommissioned cars for the renewal of the rental fleet.

On June 30, 2014, the Localiza System, including franchisees in Brazil and abroad, were comprised of 534 car rental locations, of which: i) 470 locations in 341 cities in Brazil, being 301 operated by Localiza and the rest by franchisees, and ii) 64 locations in 38 cities in 8 South American countries, all operated by franchisees.

The fleet of the Localiza System was comprised of 118,086 cars, on June 30, 2014, being: i) 105,095 belonging to the Company, including 31,814 of the Fleet Rental Division; ii) 9,313 belonging to franchisees in Brazil; and iii) 3,678 belonging to franchisees abroad. After being used in rental activities, cars are sold in order to generate cash for fleet renewal. Decommissioned cars are substantially sold to final consumers through 74 sales points, located in 44 cities throughout Brazil, thereby avoiding intermediation costs.

Localiza's direct and indirect subsidiaries are summarized in Note 7(a).

2. BASIS OF PREPARATION, PRESENTATION OF THE INTERIM FINANCIAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The Company's interim financial information includes:

- The parent company interim financial information prepared and presented in accordance with the Accounting Standard CPC 21 (R1) - Interim Financial Reporting and the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR), identified as "Parent company - BR GAAP "; and

- The consolidated interim financial information prepared and presented in accordance with the Accounting Standard CPC 21 (R1) - Interim Financial Reporting and the International Accounting Standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and consistent with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR), identified as "Consolidated - IFRS and BR GAAP".

The accounting practices adopted in Brazil include those established in the Corporate Law as well as the new Technical Pronouncements, Instructions and Interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities Commission (CVM).

The parent company interim financial information discloses investments in subsidiaries under the equity method of accounting, in accordance with prevailing Brazilian legislation. The accounting practices adopted in Brazil applied to the parent company interim financial information differ from IFRS applicable to separate interim financial information only with respect to the measurement of investments in subsidiaries under the equity method, whereas, for IFRS purposes, these investments would be measured at cost or fair value.

The Company did not have other comprehensive income in the current and prior periods.

The other information on the basis of preparation and presentation of the interim financial information and the summary of significant accounting policies is the same as that disclosed in Note 2 to the annual financial statements for the year ended December 31, 2013 (hereinafter referred to as "Financial statements for the year ended December 31, 2013"), published on March 21, 2014 in the newspapers "Diário Oficial de Minas Gerais" (Minas Gerais Official Gazette), "Diário do Comércio Minas Gerais", "Valor Econômico" (condensed form), and available through the following websites: www.cvm.gov.br, www.bmfbovespa.com.br and www.localiza.com/ri.

3. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting standards and Interpretations that were in effect on December 31, 2013, as disclosed in Note 3 to the financial statements for the year ended December 31, 2013, were not significantly different from those in effect for this financial information.

The accounting standards and Interpretations that became effective as from January 1, 2014, as disclosed in Note 3 to the financial statements for the year ended December 31, 2013, do not significantly affect the Company and subsidiaries.

4. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Cash and banks	3,565	7,511	19,497	22,307
Bank Deposit Certificates (CDB)	128,343	164,957	149,997	240,479
Financial investments with guarantee of repurchase	201,772	449,050	522,570	747,954
Fixed-income investment funds	72,084	-	243,083	-
Total	**405,764**	**621,518**	**935,147**	**1,010,740**

As of June 30, 2014, investments in Bank Deposit Certificates (CDB), financial investments and investment fund quotas yield 102.4%% of the CDI variation rate (101.9% as of December 31, 2013) and have immediate liquidity (repurchase guarantee).

5. TRADE RECEIVABLES

The composition of trade receivables is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Car rental	277,766	259,732	275,361	258,720
Fleet rental	-	-	63,129	53,938
Sale of decommissioned cars	80,098	85,123	106,280	107,538
Franchising	1,507	1,374	11,236	14,957
	359,371	**346,229**	**456,006**	**435,153**
Provision for impairment of trade receivables	(15,283)	(12,998)	(22,492)	(19,748)
Total	**344,088**	**333,231**	**433,514**	**415,405**
Current	**344,088**	**333,231**	**429,135**	**408,262**
Non-current	**-**	**-**	**4,379**	**7,143**

The other information on trade receivables (parent company and consolidated) was not significantly altered compared with that disclosed in Note 5 to the financial statements for the year ended December 31, 2013.

6. OTHER CURRENT AND NON-CURRENT ASSETS

The composition of other current and non-current assets is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Balances stated separately in current assets:				
Prepayments (*)	15,909	244	22,029	244
Recoverable taxes and other (**)	15,820	6,372	22,864	9,544
	31,729	6,616	44,893	9,788
Other current assets:				
Amounts receivable from insurance company (***)	33,931	29,819	46,971	42,915
Other receivables - subsidiaries (Note 7(b))	5,402	4,933	-	-
Other	3,515	3,317	5,835	5,195
	42,848	38,069	52,806	48,110
Total in current assets	74,577	44,685	97,699	57,898
Balances stated separately in non-current assets:				
Other receivables - subsidiaries (Note 7(b))	571	487	-	-
Other non-current assets	83	83	83	83
	654	570	83	83
Total in current and non-current assets	**75,231**	**45,255**	**97,782**	**57,981**

(*) Basically refers to prepaid expenses with the renewal of the Car Tax (IPVA), which are amortized based on the useful life of the vehicles.
(**) Basically refers to taxes withheld in redemptions of financial investments, settlement of swap transactions and prepayment of income tax and social contribution of R$ 3,819 in the parent company and R$ 7,749 in the consolidated.
(***) Expenses incurred on claims, cost of stolen cars and amounts receivable from the insurance company due to insurance intermediation services (Note 2.7.11 to the financial statements for the year ended December 31, 2013).

7. INVESTMENTS AND RELATED-PARTY TRANSACTIONS

(a) Information on subsidiaries

The businesses of car rental, fleet rental and franchises in Brazil and abroad are conducted by Localiza or one of its subsidiaries.

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES

Notes to the interim financial information
for the period ended June 30, 2014
All amounts in thousands of Reais unless otherwise stated

These operations of the main subsidiaries are as follows:

Localiza Fleet S.A.: privately-held corporation in the fleet rental business.

Localiza Franchising Brasil S.A.: privately-held corporation operating in the franchise business of "Localiza" brand in Brazil.

Localiza Serviços Prime S.A.("Prime"): privately-held corporation operating in the intermediation of decommissioned cars sales , previously used by Localiza and Localiza Fleet. Its corporate purposes are: (i) intermediation of business and services in general; (ii) preparation of projects, technical support, consultancy and development of systems; (iii) outsourced labor; and (iv) rendering of services and negotiation with repair shops and other suppliers, regulation of claims, approval of budgets and services carried out, management of information and claims evidencing documents.

Rental Brasil Administração e Participação S.A.: privately-held corporation, whose corporate purpose is the management and participation as quotaholder or shareholder in other companies.

The other subsidiaries of the Company, Rental International LLC, Car Assistance Serviços de Administração de Sinistros S.A., Localiza Franchising International SRL and FR Assistance Serviços de Administração de Sinistros S.A. are wholly-owned subsidiaries and limited liability corporations.

Localiza Cuiabá Aluguel de Carros Ltda.: limited liability company, former franchisee of the Localiza brand, with car rental business in the cities of Cuiabá, Várzea Grande, Cáceres and Tangará da Serra in the state of Mato Grosso. It was acquired by the Company on April 30, 2014 (see item b(ii) below).

The Shareholders' Ordinary and Extraordinary General Meeting held on April 29, 2014 approved the merger of the companies Localiza Car Rental S.A. and Localiza JF Aluguel de Carros Ltda., wholly-owned subsidiaries of the Company, with transfer of all the assets, liabilities and equity to the Company. This merger is justified for meeting the strategic guidelines of Localiza for administrative and financial simplification and streamlining, as well as developing directly all the car rental activities in one sole company. The merged balances are summarized as follows:

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES

Notes to the interim financial information for the period ended June 30, 2014

All amounts in thousands of Reais unless otherwise stated

Localiza Car Rental S.A.

Assets on April 30, 2014		Liabilities and equity on April 30, 2014	
Current assets:		**Current liabilities:**	
Cash and banks	4,480	Dividends payable to the parent company	2,506
Trade receivables	4,117	Other current liabilities	405
Other current assets	1,290		
Total current assets	**9,887**	**Total current liabilities**	**2,911**
Non-current assets:			
Escrow deposits	12		
Total non-current assets	**12**	**Equity**	**6,988**
Total assets	**9,899**	**Total liabilities and equity**	**9,899**

Localiza JF Aluguel de Carros Ltda.

Assets on April 30, 2014		Liabilities and equity on April 30, 2014	
Current assets:		**Current liabilities:**	
Cash and banks	98	Salaries and social charges	6
Trade receivables	117	Dividends payable to the parent company	44
Other current assets	4,148		
Total current assets	**4,363**	**Total current liabilities**	**50**
Non-current assets:		**Non-current liabilities:**	
Property and equipment	1,648	Loan	1,308
Total non-current assets	**1,648**	**Total non-current liabilities**	**1,308**
		Equity	**4,653**
Total assets	**6,011**	**Total liabilities and equity**	**6,011**

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES

Notes to the interim financial information for the period ended June 30, 2014

All amounts in thousands of Reais unless otherwise stated

The Company's interest in capital, equity and results of direct and indirect subsidiaries are as follows:

			Interest					
	Number of shares		In capital (%)		In equity		In results	
	6/30/14	12/31/13	6/30/14	12/31/13	6/30/14	12/31/13	1H14	1H13
Direct subsidiaries:								
Localiza Fleet	103,280,354	103,280,354	100.0	100.0	757,766	793,564	95,937	90,821
Rental Brasil	15,000,000	15,000,000	100.0	100.0	150,000	40,922	-	-
Localiza Serviços Prime	15,000	15,000	100.0	100.0	92,482	89,742	2,740	(140)
Localiza Cuiabá	4,730,000	-	100.0	-	4,738	-	8	-
Car Assistance	200,000	200,000	100.0	100.0	4,322	240	7,684	8,355
Localiza Franchising Brasil	399,069	399,069	100.0	100.0	3,646	604	6,714	6,767
LFI SRL	23,750	23,750	95.0	95.0	47	68	(21)	(1)
Localiza Car Rental	-	1,339,961	-	100.0	-	4,165	2,823	4,254
Localiza JF	-	4,709,202	-	100.0	-	4,711	(58)	-
Rental International (*)	1,000	1,000	100.0	100.0	-	-	(85)	(62)
					1,013,001	**934,016**	**115,742**	**109,994**
Goodwill and fair value increment in the acquisition of investments:								
Appreciation of property and equipment items					1,672	2,479	-	-
Goodwill					22,077	12,354	-	-
Total					**1,036,750**	**948,849**	**115,742**	**109,994**
Indirect subsidiary:								
FR Assistance	150,000	150,000	100.0	100.0	150	150	-	-
Indirect interest:								
LFI SRL	1,250	1,250	5.0	5.0	4	4	-	-

(*) In 1H14, Localiza recognized in its liabilities a provision for capital deficiency related to the subsidiary Rental International.

The changes in investments in subsidiaries, including goodwill, are as follows:

On December 31, 2013	**948,849**
Capital contribution in subsidiary (*)	109,078
Acquisition of franchisee, goodwill and fair value increment of assets (**)	13,646
Merger of subsidiaries	(11,641)
Equity in the results of subsidiaries	115,742
Dividends from subsidiaries (item (iii) below)	(139,009)
Provision for net capital deficiency (***)	85
On June 30, 2014	**1,036,750**

(*) On March 7, 2014, a capital increase of R$ 109,078 to R$ 150,000, was paid in cash to the wholly-owned subsidiary Rental Brasil Administração e Participação S.A., as approved in the meeting of the Board of Directors.
(**) Refers to investment, appreciation of property and equipment items net of the realizations and goodwill on the acquisition in April 2014 of Localiza Cuiabá (see Note 7 (a)).
(***) Rental International.

A summary of the financial information of the main groups of the balance sheet and income statement of the direct and indirect subsidiaries is as follows:

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES

Notes to the interim financial information for the period ended June 30, 2014

All amounts in thousands of Reais unless otherwise stated

(i) Balance sheets

6/30/14	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Rental International	Car Assistance	Rental Brasil	LFI SRL	Localiza Cuiabá
Assets								
Current assets	325,747	17,869	114,973	14	5,064	200,493	86	3
Non-current assets								
Long-term receivables	16,106	2,311	2,925	-	-	87,510	-	-
Investment	4	-	-	-	-	-	-	-
Property and equipment	897,919	101	-	-	-	(*)47,388	-	9,583
Intangible assets	2,083	1,184	-	-	-	-	-	-
Total	**1,241,859**	**21,465**	**117,898**	**14**	**5,064**	**335,391**	**86**	**9,586**
Liabilities and equity								
Current liabilities	245,092	5,625	14,708	-	742	907	-	4,848
Non-current liabilities	239,001	12,194	10,708	571	-	184,484	35	-
Equity	757,766	3,646	92,482	(557)	4,322	150,000	51	4,738
Total	**1,241,859**	**21,465**	**117,898**	**14**	**5,064**	**335,391**	**86**	**9,586**

12/31/13	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Localiza Car Rental	Rental International	Car Assistance	Rental Brasil	LFI SRL	Localiza JF
Assets									
Current assets	351,831	22,193	110,209	15,301	15	5,357	12,709	116	538
Non-current assets									
Long-term receivables	13,718	2,123	2,453	16	-	-		-	-
Investment	4	-	-	-	-	-	-		
Property and equipment	884,046	124	-	-	-	-	(*)28,612	-	8,844
Intangible assets	1,764	1,172	-	-	-	-		-	-
Total	**1,251,363**	**25,612**	**112,662**	**15,317**	**15**	**5,357**	**41,321**	**116**	**9,382**
Liabilities and equity									
Current liabilities	256,347	10,346	12,888	11,152	-	5,117	399	-	3,402
Non-current liabilities	201,452	14,662	10,032	-	487	-	-	44	1,269
Equity	793,564	604	89,742	4,165	(472)	240	40,922	72	4,711
Total	**1,251,363**	**25,612**	**112,662**	**15,317**	**15**	**5,357**	**41,321**	**116**	**9,382**

(*) Includes the amounts of the land transferred by Localiza to Rental Brasil S.A. as capital increase and expenditures incurred with construction.

(ii) Income Statements

1H14	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Localiza Car Rental	Rental International	Car Assistance	LFI SRL	Localiza JF	Localiza Cuiabá
Statement of income									
Net revenue	453,490	8,660	29,106	9,830	-	8,659	-	521	878
Gross result	166,078	7,070	25,627	3,915	-	8,457	-	(20)	100
Profit (loss) before income tax and social contribution	145,232	8,030	4,075	3,992	(85)	8,828	(20)	(58)	8
Profit (loss) for the period	**95,937**	**6,714**	**2,740**	**2,823**	**(85)**	**7,684**	**(21)**	**(58)**	**8**

1H13	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Localiza Car Rental	Rental International	Car Assistance	LFI SRL
Statement of income							
Net revenue	407,601	9,159	25,047	10,380	-	9,467	-
Gross result	153,621	7,439	21,377	5,397	-	9,300	-
Profit (loss) before income tax and social contribution	135,643	8,006	(24)	5,467	(62)	9,560	(1)
Profit (loss) for the period	**90,821**	**6,767**	**(140)**	**4,254**	**(62)**	**8,355**	**(1)**

(iii) Dividends from subsidiaries

1H14	Localiza Fleet	Localiza Franchising Brazil	Car Assistance	Total
2013 proposed dividends	43,912	3,677	4,357	51,946
Dividends proposed and paid in 2014	131,735	-	-	131,735
Prepaid dividends for 2014	-	3,672	3,602	7,274
Total	**175,647**	**7,349**	**7,959**	**190,955**

2013	Localiza Fleet	Localiza Franchising Brazil	Localiza Car Rental	Car Assistance	Total
Dividends for 2012	29,929	3,324	2,297	4,166	39,716
Prepaid dividends for 2013	-	10,429	6,495	12,013	28,937
Total	**29,929**	**13,753**	**8,792**	**16,179**	**68,653**

(b) Balances and transactions with related parties

(i) Balances and transactions with subsidiaries

	Localiza Fleet		Other		Total	
	6/30/14	12/31/13	6/30/14	12/31/13	6/30/14	12/31/13
Balances:						
Trade receivables	3,685	2,966	9	7,882	3,694	10,848
Dividends receivable from subsidiaries	-	43,912	-	10,584	-	54,496
Other receivables (current and non-current) (Note 6)	749	1,213	5,224	4,207	5,973	5,420
Net capital deficiency in subsidiaries (Note 13)	-	-	557	472	557	472
Payables to subsidiaries (Note 13)	-	-	141	300	141	300
	Localiza Fleet		**Other**		**Total**	
	1H14	**1H13**	**1H14**	**1H13**	**1H14**	**1H13**
Transactions:						
Costs and expenses	-	-	(5,044)	-	(5,044)	-
Recovery of costs and expenses	9,348	5,504	1,577	2,423	10,925	7,927
Revenues from car rentals	8,836	6,616	3,146	4,381	11,982	10,997

As of June 30, 2014, there were endorsements related to guarantees for loans and financing, totaling R$ 750,392 (R$ 651,322 on December 31, 2013), between Localiza and Localiza Fleet. Out of the total amount on June 30, 2014, R$ 190,229 refers to the endorsement between Localiza and Rental Brasil. There were also endorsements between companies in connection with bank guarantees and guarantee insurances contracted for lawsuits totaling R$ 18,978 (R$ 11,443 on December 31, 2013).

The Company optimizes cash through a centralized administration and the concept of sole cash funds.

Intercompany receivables and payables do not have defined maturity and settlement dates and depend on the companies' cash flows. Transactions are conducted based on conditions agreed upon between Localiza and its wholly-owned subsidiaries.

(ii) Localiza Cuiabá Aluguel de Carros Ltda.

The Shareholders' Ordinary and Extraordinary General Meeting held on April 29, 2014 approved the acquisition of all the quotas of Localiza Cuiabá Aluguel de Carros Ltda., a franchisee of Localiza which conducted the car rental business in the cities of Cuiabá, Várzea Grande, Cáceres and Tangará da Serra in the state of Mato Grosso. On April 30, 2014, a contract for purchase and sale totaling R$ 15,895 was signed, generating an investment of R$ 4,730, goodwill of R$ 9,723 due to the future projected profitability allocated to the Division of Car Rental and a fair value adjustment of property and equipment (cars) of R$ 1,442. The net assets acquired by the Company comprised the following balance sheet accounts:

Localiza Cuiabá Aluguel de Carros Ltda.			
Assets on April 30, 2014		**Liabilities and equity on April 30, 2014**	
Current assets		**Current and non-current liabilities**	
Cash and banks	3	Salaries and charges	75
		Borrowings	5,418
		Loan	2,949
Total current assets	**3**	**Total current and non-current liabilities**	**8,442**
Non-current assets			
Property and equipment	13,169		
Total non-current assets	**13,169**	**Equity**	**4,730**
Total assets	**13,172**	**Total liabilities and equity**	**13,172**

(iii) Transactions with other related parties

- Key management personnel compensation

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	1H14	**1H13**	**1H14**	**1H13**
Compensation of the Board of Directors	5,025 (*)	2,882	5,025 (*)	2,882
Management and Executive Board:				
Fees and remuneration	4,965	5,348	6,668	9,737
Social charges	1,548	1,372	2,170	2,362
Options granted recognized	1,836	1,962	1,836	1,962
Supplementary pension plan (**)	773	1,181	1,364	1,868
Total	**14,147**	**12,745**	**17,063**	**18,811**

(*) In the first quarter of 2013, the President of the Board of Directors accumulated the role of chief executive officer of the Company, therefore, there was no remuneration as President of the Board of Directors. As of April 2013, the President of the Board of Directors no longer accumulated the role of chief executive officer of the Company, starting to receive fees as President of the Board of Directors, which explains the increase in the remuneration of the Board of Directors in the first half of 2014 in relation to the first half of 2013.
(**) The Company offers a Pension Plan for management (see details in Note 25 to the financial statements for the year ended December 31, 2013). Except for this Plan, the Company does not have other programs for the granting of severance benefits to Management.

8. PROPERTY AND EQUIPMENT

The gross book value, accumulated depreciation and net carrying value of property and equipment in each of the periods are as follows:

	Parent company (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	Cars	Other property and equipment	Total	Cars	Other property and equipment	Total
Cost:						
On December 31, 2013	**1,952,104**	**229,044**	**2,181,148**	**3,152,469**	**260,313**	**3,412,782**
Additions	804,163	2,687	806,850	1,022,933	21,665	1,044,598
Write offs/transfers (*)	(708,988)	(133)	(709,121)	(926,738)	(673)	(927,411)
On June 30, 2014	**2,047,279**	**231,598**	**2,278,877**	**3,248,664**	**281,305**	**3,529,969**
Accumulated depreciation:						
On December 31, 2013	**(64,863)**	**(92,916)**	**(157,779)**	**(371,078)**	**(94,230)**	**(465,308)**
Additions	(39,970)	(14,641)	(54,611)	(103,406)	(14,788)	(118,194)
Write offs/transfers (*)	38,712	270	38,982	115,340	326	115,666
On June 30, 2014	**(66,121)**	**(107,287)**	**(173,408)**	**(359,144)**	**(108,692)**	**(467,836)**

(*) Include write-offs due to car sales, robbery, damage and transfer of decommissioned cars for fleet renewal to non-current assets for sale, and the property and equipment balances referring to the acquisition of the franchisee of Cuiabá (further details in Note 7b (ii)).

Net carrying value:						
On December 31, 2013	**1,887,241**	**136,128**	**2,023,369**	**2,781,391**	**166,083**	**2,947,474**
On June 30, 2014	**1,981,158**	**124,311**	**2,105,469**	**2,889,520**	**172,613**	**3,062,133**

The composition of the main classes of assets under "Other property and equipment", as well as their net carrying values, is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Leasehold improvements (*)	77,191	86,538	77,191	86,574
Furniture and fixtures	20,011	21,666	20,678	22,380
IT equipment	9,946	10,660	10,031	10,800
Property and equipment in progress	2,736	2,043	31,301	15,074
Land	681	681	19,503	16,503
Other	13,746	14,540	13,909	14,752
Total	**124,311**	**136,128**	**172,613**	**166,083**

(*) The period of leasehold improvements amortization, considering the expectation of renewal of property rental contracts, was revised in 2013 in accordance with the terms of the contract.

As of June 30, 2014, the accounts "Cars" and "Other property and equipment" include the values of property and equipment items accounted for as finance leases in the amount of R$ 304,487 (R$ 223,131 as of December 31, 2013). See Note 23 to the financial statements for the year ended December 31, 2013.

Effect of the IPI tax for new cars

The depreciation of the cars is calculated based on the difference between the price of acquisition of the car and its Realization residual value estimated for the end of its useful life, less the estimated selling expenses.

The return of the IPI tax rates to the original levels was expected for July 1, 2014. However, the Government postponed the return of the original rates to January 1, 2015, as a way to support the automotive industry, which experiencing a decrease of sales. The Company does not expect any impact on its operations due to this decision of the Government.

The rates remain at current levels, as follows:

Vehicles	Current rates	Original rates
1.0 engines	3%	7%
1.1. to 2.0 engines (flex fuel)	9%	11%
1.1. to 2.0 engines (gasoline)	10%	13%
Utilities	3%	8%

Source: Reuters

Decommissioned cars for fleet renewal

These are presented at the lower of fair value less estimated cost to sell and residual book value, which includes acquisition cost net of accumulated depreciation through the date cars are classified as "decommissioning cars for fleet renewal" in the "non-current assets for sale" account. The balances in each year are as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Cost	429	135	20,590	25,636
Accumulated depreciation	(36)	(16)	(7,114)	(9,116)
Carrying value	**393**	**119**	**13,476**	**16,520**

Construction of the new headquarters of the Company

In June, 2013, the Board of Directors approved the construction of the new headquarters of the Company. This investment will allow: (i) the reduction of expenses from property rentals in the future; (ii) a productivity gain with the centralization of administration and support, which are currently located in five buildings; and (iii) support for the growth of the Company allowing the integration and same location of the central management.

The land of 30 thousand m² was purchased in 2008 and is currently owned by Rental Brasil Administração e Participação S.A., a fully-owned subsidiary of Localiza, with expenditures of R$ 22,087 on the land, projects and approvals of municipal authorities. In the first half of 2014, R$ 15,776 was spent (R$ 6,525 up to December 31, 2013). All of the current furniture and equipment will be used in the new facilities.

9. INTANGIBLE ASSETS

(a) *Computer software*

The gross book value, the accumulated amortization and the net carrying value of software are as follows:

	Parent company (BR GAAP)	Consolidated (IFRS and BR GAAP)
Cost		
On December 31, 2013	**57,941**	**61,824**
Additions	7,583	8,235
On June 30, 2014	**65,524**	**70,059**
Accumulated amortization		
On December 31, 2013	**(13,586)**	**(14,533)**
Additions	(2,856)	(3,177)
On June 30, 2014	**(16,442)**	**(17,710)**
Net carrying value of software		
On December 31, 2013	**44,355**	**47,291**
On June 30, 2014	**49,082**	**52,349**

The other information on intangible assets - software (parent company and consolidated) was not significantly changed compared with that disclosed in Note 9 to the financial statements for the year ended December 31, 2013.

(b) Goodwill on the acquisition of investments

The gross book value, the accumulated amortization and the net carrying value of goodwill are as follows:

	Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13
Goodwill on acquisition of non-controlling interest in subsidiaries	4,918	4,918
Goodwill on acquisition of investments in franchisees (Note 7 b(ii))	17,569	7,846
Accumulated amortization	(410)	(410)
Net carrying value	**22,077**	**12,354**

Under CVM Resolution 565/08, goodwill on the acquisition of a non-controlling interest in subsidiaries, allocated to the Car Rental Division, is no longer amortized beginning on January 1, 2009 but it is tested for impairment at least annually.

Goodwill of R$ 17,569 on the acquisition of franchisees, allocated to the Car Rental Division, will not be amortized and will be tested for impairment at least annually.

10. TRADE PAYABLES

Trade payables are comprised as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Car manufacturers	406,904	318,232	478,001	378,102
Maintenance services and parts	23,597	22,897	38,273	35,949
Rentals	6,725	6,727	6,725	6,727
Insurance policies	13,587	12,561	13,627	12,540
Other	20,872	26,537	24,316	27,164
Total	**471,685**	**386,954**	**560,942**	**460,482**

Balances payable to car manufacturers refer to cars purchased at the end of each period bearing no financial charges and mature in up to 60 days after the purchase.

11. SOCIAL AND LABOR OBLIGATIONS

Payroll and related taxes are comprised as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Provision for vacation pay	20,243	19,066	26,631	24,994
Provision for 13th month salary (*)	7,244	-	9,577	-
Provision for employee profit sharing	20,327	26,142	27,041	36,366
National Institute of Social Security (INSS)	4,342	4,393	5,832	5,992
Government Severance Indemnity Fund for Employees (FGTS)	975	918	1,293	1,249
Other	1,306	3,040	1,906	5,303
Total	**54,437**	**53,559**	**72,280**	**73,904**

(*) Provision for employees' 13th month salary accumulated during the year, which is usually paid by the Company in November of each year.

Localiza makes semi-annual profit sharing payments to employees, based on their categories and performance evaluation, classified as "Cost", "Selling expenses" and "General, administrative and other expenses", in the statement of income, according to the functional allocation of the respective employees.

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES

Notes to the interim financial information
for the period ended June 30, 2014
All amounts in thousands of Reais unless otherwise stated

12. BORROWINGS AND DEBENTURES

The composition of borrowings and debentures is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)			
	6/30/14	12/31/13	6/30/14	12/31/13	Maturity	Effective interest rate
In local currency (R$)						
Debentures - 2nd issue	70,242	66,707	70,242	66,707	7/2/2014	CDI + 0.6% p.a.
Debentures - 4th issue	170,520	194,432	170,520	194,432	5/5/14 to 5/5/17	114.2% of CDI
Debentures - 5th issue	502,620	501,859	502,620	501,859	5/30/2016 to 5/30/2017	114.5% of CDI
Debentures - 6th issue	305,981	305,583	305,981	305,583	10/15/2016 to 10/15/2019	CDI + 1.07% p.a.
Debentures - 7th issue	510,687	509,249	510,687	509,249	3/30/2016 to 9/30/2021	113.6% of CDI
Working capital and other	142,375	152,529	617,891 (*)	401,563	7/1/2014 to 6/25/2021	Equivalent to CDI + 1.06% p.a.
Fixed-rate swap	663	(3,084)	663	(5,450)	-	Swap - CDI for fixed rate
In foreign currency						
Foreign currency loans - U.S. dollar	124,549	369,596	124,549	369,596	8/17/2015 to 8/16/2017	108.4% and 114.7% of the CDI
Total	**1,827,637**	**2,096,871**	**2,303,153**	**2,343,539**		
Current liabilities	**186,049**	**172,514**	**308,069**	**275,394**		
Non-current liabilities	**1,641,588**	**1,924,357**	**1,995,084**	**2,068,145**		

(*) R$ 291,734 of the total of R$ 617,891 was contracted as debt by Localiza Fleet, with an average fixed rate of 12.42% p.a. (R$ 93,712, at the average rate of 10.28%% p.a., on December 31, 2013).

The changes in borrowings and debentures are as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Opening balance	**2,096,871**	**1,822,574**	**2,343,539**	**2,055,091**
Proceeds	236	498,530	289,857	608,842
Interest and financial	111,800	166,192	124,357	187,044
Repayment of principal	(204,928)	(258,218)	(266,426)	(349,941)
Interest amortization	(180,089)	(129,123)	(194,287)	(152,047)
Swap fixed	3,747	(3,084)	6,113	(5,450)
Closing balance	**1,827,637**	**2,096,871**	**2,303,153**	**2,343,539**

As of June 30, 2014, Localiza had five outstanding debenture issued, all non-convertible into shares. Localiza's debentures are subject to certain restrictive covenants, as follows: **(i)** request or declaration of bankruptcy by the issuer or third parties that is not duly resolved within the legal term; **(ii)** default of individual or aggregate amount equal to or higher than R$ 25,000; **(iii)** a reduction in Localiza's capital and/or repurchase of its own shares for cancellation, except if previously authorized by the debenture holders; **(iv)** amalgamation, merger or spin-off of Localiza, except if under the terms of Article 231 of the Brazilian Corporate Law or if the spun-off portion or the entity resulting from the amalgamation or merger remain in the current Controlling Group of the issuer; and **(v)** non-maintenance of quarterly financial ratios, based on

the Company's consolidated financial statements, and downgrading of the Company's rating, as follows:

Issue	Adjusted net debt/ EBITDA (*) (maximum limit)	Adjusted EBITDA (*)/Net Financial Costs (minimum limit)	Downgrading of the rating, on the national scale (***)
2nd issuance	3.25	2.00	In two notes or more in relation to the rating brAA- (BR, double A, negative) by Standard & Poor´s (**)
4th issuance	4.00	1.50	In two notes or more in relation to the rating brAA- (BR, double A, negative) by Standard & Poor´s (**)
5th issuance	4.00	1.50	In two notes or more in relation to the rating brAA- (BR, double A) by Standard & Poor´s (**)
6th issuance	4.00	1.50	If rating is downgraded to brA+ (BR,A,positive) by Standard & Poor´s (**)
7th issuance	4.00	1.50	Corporate credit rating granted by Moody´s, Standard&Poor´s or Fitch Ratings to the Issuer for the following levels of classification of risks, or less, on the national scale: Aa3, AA- and AA- respectively.

(*) EBITDA corresponds to the issuer's profit or loss, on a consolidated basis, for the last 12-month period, before (i) finance cost (income), net; (ii) income tax and social contribution; (iii) depreciation and amortization expenses, for the fourth issue. For the 2nd issue, EBITDA is also adjusted for (i) non-operating expenses (income), net and (ii) non-controlling interests. For the 5th issue, EBITDA is also adjusted for (i) stock option costs and (ii) non-recurring expenses. For the 6th and 7th issues, EBITDA is also adjusted by impairment.
(**) Due to any change in shareholding structure that results in the loss, transfer or disposal of the Company's controlling power by the current controlling shareholders, and the fourth issue includes the direct downgrading.
(***) Ratings of corporate credit on the national scale in force on June 30, 2014: Standard &Poor's (br.AAA/stable); Moody's (Aa1.br/stable); Fitch Ratings (AAA(bra)/stable).

On June 25, 2014, Rental Brasil, a wholly-owned subsidiary of Localiza, executed a Real Estate Bank Credit Note loan of R$ 190,000 to finance the construction of the new headquarters of the Company. It has a 7 years term, with monthly repayments starting in 61st month. The loan is subject to the payment of interest of 9.5% p.a. and restatement of the debt balance at the Reference Rate (TR). Simultaneously, beginning on the same date as the release of funds, a swap transaction (plain vanilla) was executed under identical conditions of amounts, term and repayments, exchanging the exposure to the Reference Rate plus interest (TR + 9.5% p.a.) for 98.75% of the CDI. The loan is subject to certain accelerated maturity events which include compliance by the Company with financial ratios calculated on a quarterly basis, based on the consolidated financial statements, identical to the ratios required in the 6th and 7th issued debentures. Expenses incurred on contracting the loan, including taxes, commissions and other costs, totaled R$ 6,448, and are classified under the same account as the respective borrowings and will be recognized over the total debt period.

On May 8, 2014, the Company settled in advance the swap contract with notional value of R$ 170,000 (total paid amount of R$ 258,776 - principal and final interest), which exchanged the U.S. dollar foreign exchange variation plus coupon of 6.44% for 114.7% of the CDI, with original maturity on May 25, 2016. Simultaneously, on the same date, the Company repaid in advance the foreign currency borrowing hedged by the swap transaction.

Additionally, the Company has loans that include certain accelerated maturity events under conditions similar to those applicable to debentures. The Company's management understands that the restrictive clauses applicable to loans and debentures were being complied with on June 30, 2014.

Other information regarding loans and debentures (parent company and consolidated) have not significantly changed compared to that disclosed in Note 12 to the financial statements for the year ended December 31, 2013.

13. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities are comprised as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Amounts stated separately in current liabilities:				
Trade payable and net capital deficiency of subsidiaries (Note 7(b))	698	772	-	-
Other federal taxes	8,813	8,750	11,588	11,644
Municipal tax obligations	736	1,009	1,969	1,879
	10,247	10,531	13,557	13,523
Other current liabilities:				
Advances from car rental customers	7,889	19,601	9,012	21,539
Insurance premiums to transfer (*)	27,853	34,166	28,131	34,344
Deferred revenues (**)	33	36	5,690	6,840
Other	1,375	2,166	2,380	2,318
	37,150	55,969	45,213	65,041
Total other current liabilities	47,397	66,500	58,770	78,564
Other non-current liabilities				
Deferred revenues (**)	59	82	11,866	15,346
Other	10,577	10,171	12,832	14,115
	10,636	10,253	24,698	29,461
Total current and non-current liabilities	**58,033**	**76,753**	**83,468**	**108,025**

(*) Premiums received from customers that contracted insurance for rented cars and that were transferred by Localiza to the insurance company (Note 2.7.11 to the financial statements for the year ended December 31, 2013).
(**) Basically refers to flat fee revenue billed to franchisees for the granting of the right to use Localiza's brand. This revenue is recognized in the income statement during the life of the contract (usually 60 months).

14. PROVISIONS AND ESCROW DEPOSITS

(a) Provisions constituted

The composition of provisions for litigations is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Tax	3,566	3,526	5,998	5,675
Social security and labor	32,250	28,146	40,634	34,742
Civil	8,802	7,939	12,236	10,516
Total	**44,618**	**39,611**	**58,868**	**50,933**

(b) Escrow deposits

Escrow deposits are comprised as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Tax	15,544	15,180	28,385	26,500
Social security and labor	6,791	6,487	9,790	9,014
Civil	2,392	2,425	2,510	2,562
Total	**24,727**	**24,092**	**40,685**	**38,076**

The other information on Provisions and Escrow deposits (parent company and consolidated) has not significantly changed compared with that disclosed in Note 14 to the financial statements for the year ended December 31, 2013.

15. INVESTMENTS IN MARKETABLE SECURITIES

	Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13
Financial bills	87,510	-

On June 25, 2014, Rental Brasil, a wholly-owned subsidiary of Localiza, invested R$ 87,510 in Financial Bills. This amount corresponds to the portion of the borrowing contracted as a Real Estate Bank Credit Note, of R$ 190,000. The investment yields 103.5% of the CDI rate, with final maturity in two years, and is deposited in a restricted account, which will be released based on the construction works of the new Company's headquarters.

16. TAXES ON INCOME - INCOME TAX AND SOCIAL CONTRIBUTION

(a) Deferred income tax and social contribution assets and liabilities

The composition of deferred income tax and social contribution is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Temporary differences in the deductibility of provisions:				
Provision for payables to suppliers and others	2,567	1,776	5,615	2,198
Provisions for litigation	14,468	12,893	15,891	13,974
Provision for impairment of trade receivables	2,203	2,688	3,087	5,482
Swap transaction taxable on a cash basis	641	10,676	641	10,676
Income tax and social contribution losses	4,287	-	4,316	29
Total deferred income tax and social contribution assets	**24,166**	**28,033**	**29,550**	**32,359**
Income tax and social contribution losses - current (*)	(4,287)	-	(4,287)	-
Total deferred income tax and social contribution assets - non-current	**19,879**	**28,033**	**25,263**	**32,359**
Car depreciation (*)	63,215	57,232	90,844	86,969
Finance leasing of property and equipment	1,446	1,423	38,431	24,826
Total deferred income tax and social contribution liabilities - non-current	**64,661**	**58,655**	**129,275**	**111,795**

(*) The Company maintained the classification as current due to the expectation of realization up to the end of the year 2014.
(**) Refers to the temporary difference in the calculation of depreciation and residual value, introduced by the new accounting practices (adoption of IFRS). Localiza and its subsidiary Localiza Fleet continue to calculate, for tax purposes, car depreciation expenses using the depreciation criteria as of December 31, 2007. Temporary differences are reversed at the end of the useful lives of cars, when they are derecognized.

Deferred income tax and social contribution credits, referring to temporary differences, depend on future events that will make the provision that gave rise to them deductible, as provided for by prevailing tax legislation.

Provisional Measure(MP) 627/13 was issued in November 2013. It changes the federal tax legislation regarding the Corporate Income Tax (IRPJ), the Social Contribution on Net Income (CSLL), the contribution to the Social Integration Program/ Public Services Employee Savings Program (PIS/PASEP) and the Social Contribution on Revenues (COFINS). This MP revokes the Transition Tax System (RTT), introduced by Law 11,941, of May 27, 2009 and also deals with the taxation of subsidiaries and associates abroad, based on the universal system. The Provisional Measure was converted to Law 12,973 on May 15, 2014, and will be effective as of January 1, 2015. The taxpayer may choose to accelerate its effects to January 1, 2014. As of June 30, 2014, the Company is assessing, together with its legal advisors, the changes, inclusions and/or exclusions and the effects introduced by Law 12,973 in relation to the wording originally proposed by the Provisional Measure, and does not expect significant effects on its financial statements. Concerning the application of the effects of Law 12,973, based on its original wording, the Company's option is to recognize them as from 2014.

(b) Income tax and social contribution - reconciliation of expense at statutory and effective rates

The reconciliation between statutory and effective rates for the six-month periods ended June 30, 2014 and 2013 is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	1H14	**1H13**	**1H14**	**1H13**
Profit before taxes	238,105	220,249	292,365	268,844
Statutory rate	34%	34%	34%	34%
Expense at statutory rate	**(80,956)**	**(74,885)**	**(99,404)**	**(91,407)**
Adjustments to expense at statutory rate:				
Equity in the results of subsidiaries	39,359	37,397	-	-
Effect of deduction of interest on capital	9,836	10,212	9,836	10,212
Other, net	74	(716)	3,621	4,608
Expense at effective rate	**(31,687)**	**(27,992)**	**(85,947)**	**(76,587)**

The reconciliation between the statutory and effective rates for the quarters ended June 30, 2014 and 2013 is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2Q14	**2Q13**	**2Q14**	**2Q13**
Profit before taxes	113,972	117,576	141,773	143,763
Standard rate	34%	34%	34%	34%
Expense at statutory rate	**(38,750)**	**(39,976)**	**(48,203)**	**(48,879)**
Adjustments to expense at statutory rate				
Equity in the results of subsidiaries	19,977	20,791	-	-
Effect of deduction of interest on capital	5,099	5,259	5,099	5,259
Other, net	313	(206)	1,942	3,301
Expense at effective rate	**(13,361)**	**(14,132)**	**(41,162)**	**(40,319)**

Franchising Brasil, Car Rental and Car Assistance calculated, through 1H14, income tax and social contribution under the deemed profit regime in the amounts of R$ 1,316 (R$ 1,239 in 1H13), R$ 1,169 (R$ 1,213 in 1H13) and R$ 1,144 (R$ 1,205 in 1H13), respectively. For this reason, these companies do not record deferred taxes.

(c) Income tax and social contribution payable

Localiza and its subsidiaries calculate income tax and social contribution under the quarterly taxation regime. The outstanding balance relating to the computation period of the last quarter of each year is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Income tax and social contribution payable	-	16,630	21,638	35,238

Income tax returns are open to review by the tax authorities for a period of five years. Other taxes, rates and contributions are also subject to review, according to applicable legislation.

17. EQUITY

(a) Share capital

The shareholdings as of June 30, 2014 and December 31, 2013, and the related reconciliation of the number of shares after the approved capital increase were as follows:

	Management				
	Founding partners	Board of Directors and Board of Executive officers	Treasury shares	Shares outstanding in the market	Number of common shares (ON)
On December 31, 2013	**61,874,593**	**243,070**	**3,758,577**	**145,917,160**	**211,793,400**
Acquisition (disposal) of shares, net	(3,000,000)	(12,574)	-	3,012,574	-
Exercise of stock options with treasury shares	-	43,963	(256,569)	212,606	-
On June 30, 2014	**58,874,593 (*)**	**274,459**	**3,502,008**	**149,142,340**	**211,793,400**

(*) Includes 2,350,645 leased shares.

In a meeting held on December 15, 2011, the Board of Directors approved the launching of the Company's Level I American Depositary Receipts (ADRs) ("ADR Program"). This program did not result in an increase in the Company's share capital or the issuance of new shares. Its purpose is to broaden the ways foreign investors can reach the Company, as well as to increase the liquidity of the Company's shares. The Program was approved by CVM - Brazilian Securities Commission - on May 22, 2012 and trading began on June 5, 2012. As of June 30, 2014, the Company's position was 5,778,325 ADRs issued in the United States.

(b) Interest on capital and dividends

The Company periodically pays interest on capital to shareholders. The Board of Directors' meetings approved the payment of interest on capital as follows:

2013				
Approval date	**Total amount paid**	**Amount per share (in R$)**	**Ownership interest date**	**Payment date**
3/8/2013	14,567	0.073362	3/20/2013	5/3/2013
6/20/2013	15,468	0.074410	6/28/2013	8/14/2013
Total 2013	**30,035**			

2014				
Approval date	**Total amount paid**	**Amount per share (in R$)**	**Ownership interest date**	**Payment date**
3/19/2014	13,934	0.066900	3/31/2014	5/14/2014
6/30/14	(*) 14,997	0.072000	7/1/2014	8/28/2014
Total 2014	**28,931**			

(*) This interest on capital had not been paid to shareholders as of June 30, 2014.

On February 10, 2014, the Company paid interest on capital approved by the Board of Directors in the meeting held on December 18, 2013, totaling R$ 16,803, with amount per share of R$ 0.080766.

The Shareholders' Ordinary and Extraordinary General Meeting held on April 29, 2014 approved the payment of dividends to the shareholders in order to complete the minimum mandatory dividend of 25% on the adjusted profit, as follows:

Approval date	**Total amount paid**	**Amount per share (in R$)**	**Ownership interest date**	**Payment date**
4/29/2014	38,612	0.185378	4/30/2014	5/16/2014
Total 2014	**38,612**			

(c) Capital reserve

(i) Options exercised in the 1st half of 2014

In 1H14, 256,569 stock options related to the Stock Option Programs from 2007 to 2011 were exercised, using treasury shares. The weighted average exercise prices of options, as well as the weighted average fair value of Localiza's shares on the exercise date, were as follows:

Program	Number of options exercised	Cost on the grant date	Realization amount at cost	Weighted average exercise price	Weighted average market price
2007 Program	95,835	R$ 7.09	714	R$ 25.24	R$ 31.57
2008 Program	51,782	R$ 0.88	62	R$ 23.83	R$ 34.86
2009 Program	61,378	R$ 12.21	759	R$ 8.50	R$ 34.86
2010 Program	47,454	R$ 12.10	542	R$ 25.19	R$ 34.86
2011 Program	120	R$ 11.12	1	R$ 32.62	R$ 31.60
Total	**256,569**		**2,078**		

All options were exercised using treasury shares, and therefore there was no issuance of new Localiza's shares.

(ii) Treasury shares

The number of treasury shares on June 30, 2014 was 3,502,008 shares (3,758,577 on December 31, 2013), acquired under the 1st and 4th repurchase programs approved in the Board of Directors' meetings held on December 18, 2007 and July 19, 2012, respectively.

The cost of acquisition of the treasury shares, including related costs, on June 30, 2014, was as follows:

1st Share Buy-Back Plan: R$ 23,453, net of Realizations of R$ 2,649 and an average unit cost of R$ 10.32 (minimum R$ 5.15 and maximum R$ 16.55).

4th Share Buy-Back Plan: Under this program, 1,072,200 shares (1,093,310 shares comprising the volume bonus effects) were acquired, totaling an acquisition cost of R$ 36,782, and the average unit cost is R$ 33.64 (minimum of R$ 33.52 and maximum of R$ 33.78).

5th Share Buy-Back Plan: Up to June 30, 2014, no shares were acquired under this program, which is in effect up to July 24, 2014.

The market value of the 3,502,008 shares was R$ 127,613 on June 30, 2014, (R$ 36.44 per share on June 30, 2014).

(d) Statutory reserve and profit retention

The Shareholders' Ordinary and Extraordinary General Meeting held on April 29, 2014 approved the constitution of the Statutory Reserve denominated Investment Reserve of R$ 265,127.

18. EARNINGS PER SHARE

The methods of calculating basic and diluted earnings per share are the same as those disclosed in Note 17 to the financial statements for the year ended December 31, 2013.

The table below shows profit information and the number of shares used in the calculation of basic and diluted earnings per share for each of the reporting periods of the statement of income:

	Parent company (BR GAAP) and Consolidated (IFRS and BR GAAP)		Parent company (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	1H14	1H13	2Q14	2Q13
Profit for the period	**206,418**	**192,257**	**100,611**	**103,444**
Basic earnings per share (*):				
Weighted average of outstanding shares (in units)	208,168,032	198,730,933	208,287,993	201,771,030
Basic earnings per share (in R$)	**0.99159**	**0.96742**	**0.48304**	**0.51268**
Diluted earnings per share (*):				
Weighted average of outstanding shares (in units)	208,168,032	198,730,933	208,287,993	201,771,030
Dilutive effect of stock options (in units)	1,297,706	783,721	823,128	694,396
Shares applicable to dilution (in units)	209,465,738	199,514,654	209,111,121	202,465,426
Diluted earnings per share (in R$)	**0.98545**	**0.96362**	**0.48114**	**0.51092**

(*) According to CPC 41 - Earnings per share, all shares (except treasury shares) are considered for the calculation of the weighted average of the outstanding shares.

19. SEGMENT REPORTING

Operating segments are defined as business areas: (i) which can earn revenues and incur expenses; ii) whose operating results are regularly reviewed by the chief operating decision-maker on funds to be allocated to the segment and for the evaluation of its performance; and iii) for which individual financial information is available.

Management has defined the operating segments based on the reports used by the Board of Directors to make strategic decisions. Three operating segments subject to information disclosure were identified, which are separately managed through reports that support the decision-making process. The accounting policies of these operating segments are the same as those described in Note 2 to the financial statements for the year ended December 31, 2013.

- Car rental: division responsible for car rentals in locations inside and outside airports. Cars are rented to individuals for business or leisure travel and to corporations, including insurance companies and car makers. As part of its fleet renewal program, the Car Rental Division decommissions its cars after 12 months of use in rental. The major portion of decommissioned cars is sold directly to the final consumer, by means of a proprietary network of points of sale, since this is less expensive alternative than the discounts requested by other sales intermediation channels.

- Fleet rental: division responsible for managing fleet rental for entities for long periods, usually 24 to 36 months. As part of its fleet renewal program, the Fleet Rental Division decommissions its cars by the end of the contract entered into with the customer. Decommissioned cars are sold to the final consumers by means of a proprietary network of points of sale and car dealers.

- Franchising*:* division responsible for the management and granting the right of using Localiza's brand, including the transfer of the knowledge required to operate the business.

(a) Operating segment financial information

(i) Consolidated assets and liabilities by operating segment are as follows:

	Car rental		Fleet Rental		Franchising		Unallocated balances		Eliminations/ Reclassifications		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13	6/30/14	12/31/13	6/30/14	12/31/13	6/30/14	12/31/13	6/30/14	12/31/13
Assets												
Cash and cash equivalents	-	-	-	-	-	-	935,147	1,010,740	-	-	935,147	1,010,740
Trade receivables	351,495	346,312	76,021	65,661	9,738	13,644	-	-	(3,740)	(10,212)	433,514	415,405
Decommissioned cars for fleet renewal	393	119	13,083	16,401	-	-	-	-	-	-	13,476	16,520
Property and equipment	2,164,113	2,063,304	897,919	884,046	101	124	-	-	-	-	3,062,133	2,947,474
Other assets	292,901	224,781	34,849	21,242	3,982	4,069	-	-	(6,066)	(62,031)	325,666	188,061
Total assets	**2,808,902**	**2,634,516**	**1,021,872**	**987,350**	**13,821**	**17,837**	**935,147**	**1,010,740**	**(9,806)**	**(72,243)**	**4,769,936**	**4,578,200**
Liabilities												
Trade payables	473,166	392,268	91,411	77,712	74	415	-	-	(3,709)	(9,913)	560,942	460,482
Loans, financing and debentures	-	-	-	-	-	-	2,303,153	2,343,539	-	-	2,303,153	2,343,539
Other liabilities	262,197	334,099	105,934	137,036	17,780	24,636	-	-	(6,653)	(62,800)	379,258	432,971
Total liabilities	**735,363**	**726,367**	**197,345**	**214,748**	**17,854**	**25,051**	**2,303,153**	**2,343,539**	**(10,362)**	**(72,713)**	**3,243,353**	**3,236,992**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**1,526,583**	**1,341,208**	**-**	**-**	**1,526,583**	**1,341,208**
Total liabilities and equity	**735,363**	**726,367**	**197,345**	**214,748**	**17,854**	**25,051**	**3,829,736**	**3,684,747**	**(10,362)**	**(72,713)**	**4,769,936**	**4,578,200**

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES

Notes to the interim financial information for the period ended June 30, 2014

All amounts in thousands of Reais unless otherwise stated

(ii) Consolidated statements of income by operating segment are as follows:

	Car rental		Fleet rental		Franchising		Eliminations/ Reclassifications		Consolidated (IFRS and BR GAAP)	
	1H14	1H13	1H14	1H13	1H14	1H13	1H14	1H13	1H14	1H13
Net revenue	1,385,718	1,188,319	454,784	408,634	9,122	9,477	-	-	1,849,624	1,606,430
Costs	(975,121)	(844,092)	(288,302)	(254,581)	(3,949)	(4,238)	(3,039)	(2,713)	(1,270,411)	(1,105,624)
Gross profit	**410,597**	**344,227**	**166,482**	**154,053**	**5,173**	**5,239**	**(3,039)**	**(2,713)**	**579,213**	**500,806**
Operating expenses										
Selling	(128,347)	(118,129)	(22,586)	(18,099)	(42)	(49)	1,455	1,284	(149,520)	(134,993)
General, administrative and other expenses	(50,089)	(43,963)	(11,874)	(10,327)	(1)	-	1,584	1,429	(60,380)	(52,861)
Result before financial expenses, net	**232,161**	**182,135**	**132,022**	**125,627**	**5,130**	**5,190**	**-**	**-**	**369,313**	**312,952**
Financial expenses, net									(76,948)	(44,108)
Earnings before taxes									**292,365**	**268,844**
Income tax and social contribution									(85,947)	(76,587)
Net income for the period									**206,418**	**192,257**

	Car rental		Fleet rental		Franchising		Eliminations/ Reclassifications		Consolidated (IFRS and BR GAAP)	
	2Q14	2Q13	2Q14	2Q13	2Q14	2Q13	2Q14	2Q13	2Q14	2Q13
Net revenue	669,085	601,102	231,185	207,086	4,301	4,938	-	-	904,571	813,126
Costs	(461,358)	(426,426)	(144,377)	(123,989)	(2,159)	(2,164)	(1,456)	(1,412)	(609,350)	(553,991)
Gross profit	**207,727**	**174,676**	**86,808**	**83,097**	**2,142**	**2,774**	**(1,456)**	**(1,412)**	**295,221**	**259,135**
Operating expenses										
Selling	(66,211)	(59,859)	(11,039)	(8,742)	(38)	(32)	732	643	(76,556)	(67,990)
General, administrative and other expenses	(28,207)	(21,899)	(6,767)	(5,144)	-	-	724	769	(34,250)	(26,274)
Result before financial expenses, net	**113,309**	**92,918**	**69,002**	**69,211**	**2,104**	**2,742**	**-**	**-**	**184,415**	**164,871**
Financial expenses, net									(42,642)	(21,108)
Earnings before taxes									**141,773**	**143,763**
Income tax and social contribution									(41,162)	(40,319)
Profit for the period									**100,611**	**103,444**

The Company operates in Brazil and in other eight South American countries; however, its revenues derive mainly from its operations in the Brazilian market. The composition of consolidated net revenues, in Brazil and abroad, is as follows:

	Consolidated (IFRS and BR GAAP)		Consolidated (IFRS and BR GAAP)	
	1H14	1H13	2Q14	2Q13
Brazilian operations	1,840,967	1,600,626	899,662	810,086
Export revenue (*)	8,196	5,479	4,725	2,870
Operations abroad	461	325	184	170
Net revenue	**1,849,624**	**1,606,430**	**904,571**	**813,126**

(*) Revenue from car rental arising as a result of rental to customers resident and domiciled abroad.

Consolidated depreciation and amortization expenses, per operating segment, are as follows:

	Consolidated (IFRS and BR GAAP)			
	1H14	1H13	2Q14	2Q13
Car rental:				
Car depreciation	40,796	35,680	20,255	17,275
Depreciation of other property and equipment and amortization of intangible assets	17,146	16,746	8,507	8,485
Fleet rental:				
Car depreciation	62,610	76,168	28,051	34,101
Depreciation of other property and equipment and amortization of intangible assets	540	518	254	254
Franchising:				
Depreciation of other property and equipment and amortization of intangible assets	279	221	153	111
Total depreciation and amortization expenses	**121,371**	**129,333**	**57,220**	**60,226**

20. REVENUES

The reconciliation between gross revenue and net revenue in the statement of income is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	1H14	1H13	1H14	1H13
Gross revenue	1,393,277	1,179,581	1,906,970	1,650,166
Deductions				
Discounts	(5,477)	(5,609)	(12,118)	(11,366)
Taxes (*)	(30,073)	(17,948)	(45,228)	(32,370)
Net revenue	**1,357,727**	**1,156,024**	**1,849,624**	**1,606,430**

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2Q14	2Q13	2Q14	2Q13
Gross revenue	673,932	595,686	933,279	834,642
Deductions				
Discounts	(2,652)	(2,625)	(7,420)	(6,081)
Taxes (*)	(14,528)	(8,414)	(21,288)	(15,435)
Net revenue	**656,752**	**584,647**	**904,571**	**813,126**

(*) Taxes levied on revenues: Services Tax (ISSQN), Social Integration Program (PIS) and Social Contribution on Revenues (COFINS).

The composition of net revenue recognized in each significant category is as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	1H14	1H13	1H14	1H13
Revenues from car rentals	607,240	538,888	628,070	563,568
Revenues from fleet rental	-	-	283,068	288,831
Franchising	461	318	9,122	9,477
Cars disposed of for fleet renewal	750,026	616,818	929,364	744,554
Net revenue	**1,357,727**	**1,156,024**	**1,849,624**	**1,606,430**

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2Q14	2Q13	2Q14	2Q13
Revenues from car rentals	307,756	267,807	316,709	280,362
Revenues from fleet rental	-	-	139,945	147,069
Franchising	184	163	4,301	4,938
Cars disposed of for fleet renewal	348,812	316,677	443,616	380,757
Net revenue	**656,752**	**584,647**	**904,571**	**813,126**

21. INFORMATION ON THE NATURE OF COSTS AND OPERATING EXPENSES AND DEPRECIATION AND AMORTIZATION RECOGNIZED IN THE STATEMENT OF INCOME

The information on the nature of costs, operating expenses, depreciation and amortization recognized in the statement of income is as follows:

	Costs				Selling, general and administrative and other			
	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)		Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	1H14	1H13	1H14	1H13	1H14	1H13	1H14	1H13
Cost of cars sold	(646,358)	(528,584)	(782,814)	(625,485)	-	-	-	-
Car depreciation	(39,970)	(35,680)	(103,406)	(111,848)	-	-	-	-
Car maintenance, car tax (IPVA) and other	(98,259)	(103,905)	(153,185)	(155,652)	-	-	-	-
Depreciation and amortization of other property and equipment and intangible assets	(9,019)	(8,340)	(9,487)	(8,645)	(8,478)	(8,838)	(8,478)	(8,840)
Salaries and social charges	(82,875)	(79,478)	(97,210)	(93,218)	(64,017)	(56,249)	(93,715)	(81,844)
Profit sharing	(10,724)	(9,928)	(13,525)	(12,510)	(10,156)	(8,819)	(13,717)	(12,126)
Third-party services	(9,247)	(9,809)	(10,983)	(11,265)	(24,230)	(15,441)	(20,884)	(15,724)
Property rental and others	(44,045)	(38,670)	(44,633)	(40,134)	(23,041)	(20,646)	(23,041)	(20,646)
Commissions	-	-	-	-	(13,507)	(13,256)	(13,908)	(13,670)
Publicity	-	-	-	-	(12,933)	(12,765)	(13,066)	(12,766)
Other	(44,744)(*)	(37,958)	(55,168)(*)	(46,867)	(11,494)	(14,614)	(23,091)	(22,238)
	(985,241)	**(852,352)**	**(1,270,411)**	**(1,105,624)**	**(167,856)**	**(150,628)**	**(209,900)**	**(187,854)**

	Costs				Selling, general and administrative and other			
	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)		Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2Q14	2Q13	2Q14	2Q13	2Q14	2Q13	2Q14	2Q13
Cost of cars sold	(298,069)	(270,862)	(369,624)	(319,180)	-	-	-	-
Car depreciation	(19,752)	(17,275)	(48,306)	(51,376)	-	-	-	-
Car maintenance, car tax (IPVA) and other	(50,122)	(49,409)	(77,891)	(76,637)	-	-	-	-
Depreciation and amortization of other property and equipment and intangible assets	(4,602)	(4,256)	(4,844)	(4,414)	(4,067)	(4,438)	(4,070)	(4,436)
Salaries and social charges	(41,475)	(40,437)	(49,096)	(47,553)	(33,802)	(29,149)	(48,868)	(41,374)
Profit sharing	(5,434)	(4,707)	(6,986)	(6,061)	(5,458)	(4,253)	(6,795)	(5,464)
Third-party services	(4,919)	(4,834)	(6,010)	(5,615)	(13,051)	(7,680)	(8,454)	(7,829)
Property rental and others	(22,355)	(19,266)	(22,178)	(20,371)	(11,560)	(10,286)	(11,560)	(10,286)
Commissions	-	-	-	-	(6,675)	(5,641)	(6,892)	(5,859)
Publicity	-	-	-	-	(7,261)	(7,650)	(7,386)	(7,651)
Other	(20,796)	(19,372)	(24,415)	(22,784)	(7,399)	(7,321)	(16,781)	(11,365)
	(467,524)	**(430,418)**	**(609,350)**	**(553,991)**	**(89,273)**	**(76,418)**	**(110,806)**	**(94,264)**

(*) Includes non-recurring cost of R$ 6,248 due to indemnification of franchisees that left the network.

22. FINANCIAL INCOME (EXPENSES)

Financial income (expenses) in the income statement are as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	1H14	1H13	1H14	1H13
Financial income				
Interest income from financial investments	30,406	23,500	50,326	29,016
Other interest income, net of reversals	4,928	2,063	5,601	2,702
	35,334	**25,563**	**55,927**	**31,718**
Financial expenses				
Interest expense on loans, financing and debentures	(115,547)	(66,470)	(130,163)	(72,932)
Other interest expenses	(2,054)	(1,882)	(2,712)	(2,894)
	(117,601)	**(68,352)**	**(132,875)**	**(75,826)**
Financial expenses, net	**(82,267)**	**(42,789)**	**(76,948)**	**(44,108)**

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2Q14	2Q13	2Q14	2Q13
Finance income				
Interest income from financial investments	13,621	12,614	23,723	16,032
Other interest income, net of reversals	1,879	1,128	2,093	1,486
	15,500	**13,742**	**25,816**	**17,518**
Finance costs				
Interest expense on loans, financing and debentures	(58,979)	(34,644)	(66,843)	(37,157)
Other interest expenses	(1,261)	(485)	(1,615)	(1,469)
	(60,240)	**(35,129)**	**(68,458)**	**(38,626)**
Finance costs, net	**(44,740)**	**(21,387)**	**(42,642)**	**(21,108)**

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying amounts of financial assets and liabilities segregated by category are as follows:

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Financial assets				
Loans and receivables measured at amortized cost:				
Cash and cash equivalents (Note 4)	405,764	621,518	935,147	1,010,740
Marketable securities (Note 15)	-	-	87,510	-
Trade receivables (Note 5)	344,088	333,231	433,514	415,405
Escrow deposits (Note 14(b))	24,727	24,092	40,685	38,076
Financial liabilities				
Other financial liabilities measured at amortized cost:				
Trade payables (Note 10)	471,685	386,954	560,942	460,482
Loans, financing and debentures (Note 12)	1,827,637	2,096,871	2,303,153	2,343,539

(a) Risk management

In the normal course of its operations, the Company is exposed to the following risks related to its financial instruments: (i) market risk; (ii) credit risk, and (iii) liquidity risk.

The Company's risk management is carried out by the Audit and Risk Management Committee, a body created in 2007 by the Board of Directors, which is responsible for identifying and monitoring the Company's main risk factors. Additionally, the process of identification, analysis and monitoring of risks is performed by the Board of Directors, which has powers to make decisions on the strategies to be adopted by the Company.

i) Market risk

The market risk is the risk that the fair value or future cash flows of a certain financial instrument fluctuates due to variations in interest rates, as defined in CPC 40. Market risk management is carried out in order to ensure that the Company is exposed only to risk levels considered acceptable in the context of its operations.

The Company's financial instruments that are affected by the market risk include: i) cash and cash equivalents and ii) Loans, financing and debentures.

- **Interest rate risk** - interest rate risk is the risk that the fair value or future cash flows of a certain financial instrument fluctuates due to market interest rate variations.

The Company uses cash from operations to conduct its daily business activities, and finance its fleet renewal and at least part of its growth. To complement its cash requirements for growth, or to settle debts and improve the debt profile, the Company obtains financing from major financial institutions in

Brazil, and issues debt securities (debentures and promissory notes), that are mostly indexed to the CDI rate. The inherent risk arises from the possibility of significant increases in the CDI.

Management continuously monitors CDI in order to, if necessary, adjust car rental fees to mitigate such fluctuations. For the Fleet Rental Division, the wholly-owned subsidiary Localiza Fleet contracts interest rate swaps to exchange the floating rate risk for a fixed rate, thus eliminating the risk of fluctuation in the basic interest rate and the risk of its impact on the profitability of long-term contracts. In addition, almost the totality of the Company's cash and cash equivalents balance is also indexed to the CDI, which is the same index adopted for debts related to car rental.

As required by CVM 475/08, the Company performed sensitivity tests for adverse scenarios (deterioration of the CDI rate by 25% or 50% higher than the probable scenario), considering the following assumptions:

- On June 30, 2014, the Company's net debt totaled R$ 1,368,006, of which R$ 494,397 was fixed at an average rate of 13.26% per annum.The fixed amount refers to transactions contracted at a fixed rate and swap transactions that changed rates that were indexed to the CDI for fixed rates. The net debt subject to the CDI rate totaled R$ 873,609 on June 30, 2014.
- Market expectation for the base date of June 27, 2014, according to data from the Focus Bulletin issued by the Brazilian Central Bank, is an estimated effective average CDI rate of 11.35%, against the actual rate of 10.58% in the quarter ended on June 30, 2014.

	Consolidated (IFRS and BR GAAP)		
Description	**Probable Scenario (*)**	**Scenario I - 25% deterioration**	**Scenario II - 50% deterioration**
Net debt on June 30, 2014 (letter (b) item (i))	**1,368,006**	**1,368,006**	**1,368,006**
(-) Debt at a fixed rate and amounts hedged with swap to a fixed rate (Note 12 and Note 23 item (d))	(494,397)	(494,397)	(494,397)
Net debt subject to the CDI rate	**873,609**	**873,609**	**873,609**
Effective CDI rate for the quarter ended June 30, 2014	10.58%	10.58%	10.58%
Estimated annual CDI rate, according to stress scenarios	11.35%	14.19%	17.03%
Effect on financial costs subject to CDI:			
- according to effective rates	(92,428)	(92,428)	(92,428)
- according to scenarios	(99,155)	(123,965)	(148,776)
Annual (increase) in financial costs for 12 months	**(6,727)**	**(31,537)**	**(56,348)**

(*) As required by IFRS 7, Management understands that the 11.23% rate corresponds to the likely scenario for the next 12 months, according to the market projection (Focus Bulletin of the Brazilian Central Bank issued on June 27, 2014).

- **Foreign exchange risk** - as stated in Note 23(d), the Company is not exposed to foreign exchange risk since it enters into swap transactions tied to foreign currency denominated loans.

- **Credit risk -**the credit risk is the risk that a counterparty does not comply with its contractual obligations, thereby causing the Company to incur financial losses. The Company's credit risk basically arises from the trade accounts receivable and cash and cash equivalents deposited/invested in banks and other financial institutions.

  The maximum exposure to the Company's credit risk, based on the book value of the underlying financial assets, is as follows:

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES

Notes to the interim financial information for the period ended June 30, 2014

All amounts in thousands of Reais unless otherwise stated

	Parent company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13	6/30/14	12/31/13
Loans and receivables				
Cash and cash equivalents				
Financial investments				
Aaa.br (Moody´s scale)	402,199	614,007	915,650	988,433
Cash and banks	3,565	7,511	19,497	22,307
Total cash and cash equivalents	**405,764**	**621,518**	**935,147**	**1,010,740**
Trade receivables - customers	192,219	196,904	274,661	271,831
Trade receivables - credit card				
- A3 in the Moody´s scale	62,665	56,458	65,403	59,724
- Baa2 in the Moody´s scale	74,448	69,229	77,800	72,467
- Sundry	14,756	10,640	15,650	11,383
Total trade receivables	**344,088**	**333,231**	**433,514**	**415,405**
	749,852	**954,749**	**1,368,661**	**1,426,145**

Cash and cash equivalents - the credit risk in balances with banks and other financial institutions is managed by the Company's Finance Department, according to policies defined by the Board of Directors, with the purpose of mitigating risk concentration and, therefore, minimize a potential financial loss in the case of bankruptcy of one counterparty.

According to the limits established by the Board of Directors, financial investments exceeding 20% of the available funds can be made only with financial institutions which have equity higher than R$ 10 billion, and the maximum investment limit by bank is 40% of the total funds available for investment.

Credit receivables - the management of the credit risk related to trade receivables is constantly monitored by the Company, which has established control policies.

The Company reduces its credit risk by operating significantly with credit cards for car rentals, mainly in transactions with individuals. As on June 30, 2014, two of the largest credit card companies represented 18.8% and 15.9%, individually, of the Company's trade receivables balance. The credit risk in transactions with legal entities for car rental and fleet rental is reduced by a credit limit granting policy, based on the analysis of the financial position of the customer and on past experience. The financial position of customers is continuously monitored in order to evaluate and adjust, if necessary, the credit limit previously granted. The credit risk in the sale of decommissioned cars is reduced through the utilization of financing companies with well-known financial and liquidity capacities.

Additionally, the management of credit risk includes the periodic analysis of the recoverability of trade receivables, in which the need to constitute a provision for impairment of trade receivables is analyzed in order to adjust the receivables to their probable Realizable values. This analysis, which purpose is to assign a risk classification to the customer according to internal criteria defined by management, takes into consideration the current financial position of the customer, past experience and the position of overdue bills as well as guarantees received. Therefore, based on customer risk, credits are adjusted to their likely realization through the recognition of a provision for impairment of trade receivables, which may be applied both to overdue bills and current bills. More information about the provision for impairment of trade receivables and receivables is given in Note 5.

Credit risk concentration is limited because the customer basis is broad. All operations and customers are located in Brazil, and there is no customer that individually represents more than 10% of the Company's revenues.

iii) Liquidity risk

The liquidity risk is the risk of the Company not having enough funds to settle its obligations as they fall due. The management of the liquidity risk is carried out to ensure that the Company has the necessary funds to settle its financial liabilities on the maturity dates.

The Finance Department is responsible for managing the liquidity risk and is monitored by the Board of Directors. Liquidity risk management is conducted considering funding requirements and liquidity management in the short, medium and long terms. The Company manages the liquidity risk by maintaining adequate financial resources available in cash and cash equivalents and by means of credit facilities, based on the monitoring of estimated and Realized cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

Also, management considers that the access to third party credit is facilitated, considering the corporate credit rating of Localiza according to the main market rating agencies, as follows:

Rating agency	National scale (Brazil)	Global scale
Standard & Poor's	brAAA / Stable	BBB- / Stable
Fitch Ratings	AAA(bra) / Stable	BBB / Stable
Moody's	Aa1.br / Stable	Baa3 / Stable

Localiza is assigned an investment grade by the three rating agencies mentioned.

The analysis of the undiscounted contractual cash flows of loans, financing and debentures, in the table below, considers the interest rate contracted for each transaction and the maintenance of the CDI at 10.80% p.a.

	Parent company (BRGAAP)								
	2014	2015	2016	2017	2018	2019	2020	2021	Total
Debentures - 2nd issue	70,301	-	-	-	-	-	-	-	**70,301**
Debentures - 4th issue	10,527	44,327	63,394	101,727	-	-	-	-	**219,975**
Debentures - 5th issue	30,504	65,066	297,074	264,751	-	-	-	-	**657,395**
Debentures - 6th issue	17,423	37,188	66,779	61,108	145,853	132,907	-	-	**461,258**
Debentures - 7th issue	29,495	63,412	135,375	122,927	111,163	102,567	118,981	108,056	**791,976**
Commercial Credit Note	53,271	85,877	21,189	-	-	-	-	-	**160,337**
Swap Localiza	-	-	11,056	-	-	-	-	-	**11,056**
Leases	1,101	1,318	359	-	-	-	-	-	**2,778**
Foreign currency - loans/with Swap	6,761	53,998	49,127	44,297	-	-	-	-	**154,183**
Total	**219,383**	**351,186**	**644,353**	**594,810**	**257,016**	**235,474**	**118,981**	**108,056**	**2,529,259**

	Consolidated (IFRS and BR GAAP)								
	2014	2015	2016	2017	2018	2019	2020	2021	Total
Debentures - 2nd issue	70,301	-	-	-	-	-	-	-	**70,301**
Debentures - 4th issue	10,527	44,327	63,394	101,727	-	-	-	-	**219,975**
Debentures - 5th issue	30,504	65,066	297,074	264,751	-	-	-	-	**657,395**
Debentures - 6th issue	17,423	37,188	66,779	61,108	145,853	132,907	-	-	**461,258**
Debentures - 7th issue	29,495	63,412	135,375	122,927	111,163	102,567	118,981	108,056	**791,976**
Commercial Credit Note	73,997	113,717	40,918	30,163	34,328	57,559	-	-	**350,682**
Swap Localiza	-	-	11,056	-	-	-	-	-	**11,056**
Leases	69,039	94,136	18,330	-	-	-	-	-	**181,505**
Foreign currency - loans/with Swap	6,761	53,998	49,127	44,297	-	-	-	-	**154,183**
Real Estate Bank Credit Notes - new headquarters/ with swap	9,456	21,132	20,410	19,220	17,861	64,498	104,246	48,779	**305,602**
Total	**317,503**	**492,976**	**702,463**	**644,193**	**309,205**	**357,531**	**223,227**	**156,835**	**3,203,933**

(b) Capital management

The Company's businesses require intensive long-term capital to finance the fleet, in order to implement its expansion strategy. The main objectives of capital management are to:

- ensure that the operational continuity of Company;
- ensure a strong credit rating;
- maximize the return to shareholders and
- guarantee the Company's competitive edge in fund raising.

The Company's management continuously monitors capital, adjusting the capital structure to current economic conditions.

The Company is subject to external capital requirements, according to the accelerated maturity clauses of its debenture issues, which require the maintenance of certain financial ratios. See Note 12(a) to the financial statements for the year ended December 31, 2013.

(i) Debt ratio

Capital is monitored based on the Company's indebtedness level, which corresponds to the ratio of net debt to equity. Net debt, in turn, is defined by the Company as short- and long-term debts less cash and cash equivalents.

The table below shows the Company's debt ratios:

	Consolidated (IFRS and BR GAAP)	
	6/30/14	12/31/13
Short- and long-term debts (Note 12)	2,303,153	2,343,539
Cash and cash equivalents (Note 4)	(935,147)	(1,010,740)
Net debt	**1,368,006**	**1,332,799**
Equity	1,526,583	1,341,208
Debt ratio	**0.90**	**0.99**
Value of the fleet	**2,902,996**	**2,797,911**
Net debt x value of the fleet	**0.47**	**0.48**

(c) Fair value of financial instruments:

In transactions involving financial instruments, differences were identified between the carrying amounts and the fair values of loans, financing and debentures, as these instruments have extended payment terms and differentiated costs in relation to the rates practiced for similar contracts at the reporting dates.

The summary of the fair values of the swap transactions is as follows.

	Level 2 (*)
Fixed-rate swap (classified in loans and financing)	(4,993)
U.S. dollar swap (classified in loans and financing)	43,040
TR swap (classified in loans and financing)	(4,227)
Total swaps at fair value	**33,820**

(*) The fair values were calculated based on models that use observable input and assumptions about future interest rates, among other applicable variables, by counterparty financial institutions in the respective transactions. The Company makes a reasonableness analysis of the calculations presented by these financial institutions by comparing them with similar calculations made by other parties for the same period. There are no financial instruments measured at fair value in levels 1 and 3.

The table below shows the carrying amounts and fair values of financial liabilities in the Company's balance sheet as of June 30, 2014.

The carrying amounts and fair values of borrowings, financing and debentures are calculated based on models that use observable inputs and assumptions about future interest rates, among other variables. The rates used are obtained from financial institutions for transactions with similar conditions or based on market information, when available. Fair values are calculated by projecting the future flows of transactions based on the projection of the interest rate curves, discounted to present value utilizing indicative data on prices and benchmark rates available in the market or based on payment conditions in the case of early optional redemption established in the debenture deed of each issue. Estimated fair values are as follows:

	Parent company (BR GAAP)				Consolidated (IFRS and BR GAAP)			
	Carrying amount		Fair value		Carrying amount		Fair value	
	6/30/14	12/31/13	6/30/14	12/31/13	6/30/14	12/31/13	6/30/14	12/31/13
Financial liabilities - other financial liabilities								
Borrowings and debentures	1,827,637	2,096,871	1,830,896	2,112,509	2,303,153	2,343,539	2,309,634	2,361,215
Swap transactions	40,392	81,485	38,047	93,263	40,392	86,935	33,820	93,263

Management understands that the carrying amounts of other financial instruments, such as cash and cash equivalents, trade receivables and trade payables, which are recognized in the parent company and consolidated financial statements, do not differ significantly from their fair values, as the maturity dates of a substantial portion of the balances are close to the reporting date.

(d) Derivatives

As of June 30, 2014, the Company was party to two swap transactions (plain vanilla) only for purposes of protection against the respective loans, one of which is in a foreign currency and the other is indexed to the TR. Both transactions were entered into with major financial institutions.

The specific characteristics of each swap transaction, as well as their respective notional amounts, are as follows:

						Parent company (BR GAAP) and Consolidated (IFRS and BR GAAP)		
						6/30/14		
				Rates		Notional amount		(Payables) receivables
Swap transaction	Contract date	Maturity	Counterparty	Assets	Liabilities	R$ thousand	US$ thousand	R$ thousand
U.S. dollar x Reais	11/16/2011	8/16/2017	*Bank of America*	Dollar exchange variation + coupon of 1.60% p.a. + LIBOR 3M	102.5% of the CDI variation	123,000	75,000	41,015
TR x CDI	6/25/2014	6/15/2021	*Itaú Unibanco*	TR variation + coupon of 9.50% p.a.	98.75% CDI	190,000	-	40

The amounts payable/receivable are presented together with the balances of the respective loans (see Note 12).

CDI X Fixed Rate

Fleet rental contracts vary from 24 to 36 months and include an annual adjustment clause based on the inflation rate. As the rental contracts cannot be adjusted based on the basic interest rate variation, Localiza Fleet contracted swap operations exchanging the CDI rate for a fixed rate in order to protect itself from the risk of losing profitability on rental contracts and maintain its competitiveness.

On May 15, 2014, the Company settled in advance three fixed-rate contract which would mature in 2014, totaling the notional amount of R$ 217,240. The settlement in advance generated an additional credit amount of R$ 4,944, referring to the mark-to-market of the swap.

On April 25, May 13 and 14, 2014, the Company entered into 6 swap transactions exchanging the CDI (average of 113.0%) for a fixed rate (average of 13.47% p.a.), with maturities between April and July 2016.

						Parent company (BR GAAP) and Consolidated (IFRS and BR GAAP)	
						6/30/14	
				Rates		Reference value	(Payables) receivables
Swap transaction	Contract date	Maturity	Counterparty	Assets	Liabilities	R$ thousand	R$ thousand
CDI x Fixed rate	4/25/2014, 5/13/2014 and 5/14/2014	4/25/2016 to 7/18/2016	*Various banks*	112.9% and 113.5% of the CDI	13.43% p.a. to 13.54% p.a.	335,970 (*)	(663)

(*) The swaps short-position (fixed rate) corresponds to R$ 335,970 on June 30, 2014.

24. FINANCE LEASES

The information on finance leases (parent company and consolidated) has not significantly changed compared with that disclosed in Note 23 to the financial statements for the year ended December 31, 2013.

25. RENTAL COMMITMENTS

The information on rental commitments (parent company and consolidated) has not significantly changed compared with that disclosed in Note 24 to the financial statements for the year ended December 31, 2013.

26. PENSION PLAN

The Pension Plan was established as a defined contribution plan and, therefore, there are no actuarial and investment risks to be assumed by the Company as its sponsor. Consequently, no actuarial valuation is required and there is no possibility of recognizing actuarial gains or losses. Under this plan's regulations, the cost is shared between the employer and the employees, where the Company matches the employee's contribution, which was 5%, up to December 2013, and started to be 3% as from January 2014, of the monthly remuneration (base salary and additional remuneration for length of service). This change in the percentage was validated by the Committee of Personnel Management at a meeting held on March 19, 2014 and approved by the Board of Directors on the same date.

The other information on the pension plan (parent company and consolidated) has not significantly changed compared with that disclosed in Note 25 to the financial statements for the year ended December 31, 2013.

27. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

This parent company and consolidated interim financial information was approved and authorized for disclosure by the Executive Officer on July 25, 2014.

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Comments on the behavior of business projections

The Company did not disclose projections.

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Other information considered relevant by the Company

1. SOCIAL REPORT

The Company's Consolidated Social Report for the six-month periods ended June 30, 2014 and 2013 is as follows:

	Consolidated					
1. Calculation basis for social indicators	**6/30/14**			**6/30/2013**		
Net revenue (NR)	1,849,624			1,606,430		
Earnings before taxes (EBT)	292,365			268,844		
Gross payroll (GP)	187,494			171,562		
2. Internal social indicators	**6/30/14**			**6/30/2013**		
	Amount	**% on GP**	**% on NR**	**Amount**	**% on GP**	**% on NR**
Meals	8,178	4%	0%	10,768	6%	1%
Compulsory social charges	39,210	21%	2%	36,704	21%	2%
Health care	11,606	6%	1%	8,771	5%	1%
Training and professional development	3,063	2%	0%	5,114	3%	0%
Day care center or child care allowance	150	0%	0%	194	0%	0%
Profit sharing	27,242	14%	2%	24,636	14%	2%
Other	3,261	2%	0%	6,793	5%	0%
Total - Internal social indicators	**92,710**	**49%**	**5%**	**92,980**	**54%**	**6%**
3. External social indicators	**6/30/14**			**6/30/2013**		
	Amount	**% on EBT**	**% on NR**	**Amount**	**% on EBT**	**% on NR**
Education	195	0%	0%	200	0%	0%
Culture	778	0%	0%	924	1%	0%
Other	195	0%	0%	40	0%	0%
Total contributions to society	1,168	1%	0%	1,164	1%	0%
Taxes (excluding social charges)	167,599	57%	9%	143,409	53%	9%
Total - External social indicators	**168,767**	**58%**	**9%**	**144,573**	**54%**	**9%**

4. Personnel indicators	**6/30/14**	**6/30/2013**
Headcount at the end of the period	5,776	5,824
Number of employees hired during the period	343	375
Number of outsourced employees	229	216
Number of interns	10	36
Number of employees above age 45	569	476
Number of women working in the company	2,685	2,700
% of supervisory positions held by women	47.35%	46.37%
Number of Afro-Brazilians working at the company	4,405	4,221
% of management positions held by Afro-Brazilians	53.18%	49.35%
Number of people with disability or special needs	121	42

Other information considered relevant by the Company

	6/30/14			Goals 2014		
5. Significant information regarding corporate citizenship						
Highest/lowest remuneration ratio			74.10 (*)			80.00 (*)
Total number of work accidents during the period			16			-
- The social and environmental projects developed by the Company were established by	(x) directors	( ) directors and managers	( ) all employees	(x) directors	( ) directors and managers	( ) all employees
- Training and professional	( ) directors and managers	( ) all employees	(x) all + Internal Accident Prevention Committee (CIPA)	( ) directors and managers	( ) all employees	(x) all + Cipa
- Regarding union freedom, right to collective bargaining and internal workers representation, the company	( ) is not involved	(x) follows the standards of the International Labor Organization (ILO)	( ) encourages and follows the standards of the ILO	( ) will not be involved	(x) will follow the standards of the ILO	( ) will encourage and follow the standards of the ILO
- The profit sharing plan covers	( )directors	( ) directors and managers	(X) all employees	( )directors	( ) directors and managers	(X) all employees
- In selecting suppliers, the same ethical, social responsibility and environmental standards adopted by the Company	( ) are not considered	( ) are suggested	(x) are required	( ) are not considered	( ) will be suggested	(x) will be required
- As to the participation of employees in volunteer work programs, the company	( ) is not involved	( ) supports	(x) organizes and encourages	( ) will not be involved	( ) supports	(x) will organize and encourage
- Total number of complaints and criticisms from consumers	In the company (**)	In Procon 93	In court 1,342	In the company (**)	In Procon NA	In court NA
- % of complaints and criticisms from customers handled or solved	In the company (**)	In Procon 19.35%	In court 54.99%	In the company (**)	In Procon NA	In court NA

(*) To calculate the ratio between the highest and lowest remuneration paid by the Company, the head office salaries were used (Belo Horizonte).
(**) The customer assistance attends calls referring to mechanical problems, accidents, doubts about billings, as well as praises and complaints. The Company does not have a record of the number of calls concerning complaints only.

(A free translation of the original in Portuguese)

Report on review of quarterly information

Report on review of interim financial information

To the Board of Directors and Shareholders
Localiza Rent a Car S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Localiza Rent a Car S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2014, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of the parent company interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and of the consolidated interim accounting information in accordance with CPC 21 and International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity 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 Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

(A free translation of the original in Portuguese)

Report on review of quarterly information

Conclusion on the parent company interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Conclusion on the consolidated interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

Other matters

Statement of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2014. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted 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 have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

Belo Horizonte, July 25, 2014

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