

2013 Financial Statements

Localiza Rent a Car S.A.

Corporate taxpayer´s ID: 16.670.085/0001-55

Localiza

INDEX

Management Report

Message from the CEO 4
Macroeconomic Scenario 5
2013 Highlights – IRFS 7
Business Overwiew 8
Distribution 11
Consolidated Income Analysis 12
Free Cash Flow Generate 15
Analysis of the Consolidated Balance Sheet 16
Statement of Value Added 18
Fleet Investiments 19
Taxes 19
Indebtedness 20
Capital Markets 22
People Management 23
Social Responsibility 25
Awards 26
Environment 26
Corporate Governance 27
Dividends and Share Buyback 30
Investments in Subsidiaries and Corporate Changes 32
Social Report 33

Financial Statements

Independent Auditor´s Report 36
Balance Sheets - Assets 41
Balance Sheets – Labilities and Shareholders´Equity 42
Statements of Income 43
Statements of Comprehensive Income 44
Statements of Changes in Equity 45
Statements of Cash Flows 46
Statements of Value Added 48
Notes to the Fiancial Statements 49
Operations 49
Basis of preparation, presentation of the financial statements and summary of significant accounting practices 50
Accounting pronouncements and interpretations recently issued 59
Cash and cash equivalents 60
Trade accounts receivable 60
Other current and noncurrent assets 62
Investments in subsidiaries and related-party transactions 63
Property and equipment 70
Intangible assets 72
Trade accounts payable 74

Social and labor obligations 74
Loans, financing and debentures 75
Other current and noncurrent liabilities 82
Provisions and Escrow Deposits 82
Taxes on Income – income tax and social contribution 86
Shareholders' Equity 88
Earnings per share 97
Segment Reporting 97
Net Revenues 100
Information on the nature of costs and operating and depreciation/amortization expenses recognized in the income statement 100
Financial Income (expenses) 101
Financial Instruments and Risk Management 101
Finance Leases 109
Rental Obligations 110
Pension Plan 111
Approval of the Financial Statements 112

(A free translation of the original in Portuguese)

Localiza Rent a Car S.A. and subsidiaries

Financial statements for the years ended December 31, 2013 and 2012 and independent auditor's report

(A free translation of the original in Portuguese)

1 - MESSAGE FROM THE CEO

2013 was a challenging year to Brazil. The market had, at the beginning of the year, a more optimistic view of the economy, which differed greatly from what really occurred: lower growth of the Gross Domestic Product (GDP), inflationary pressure and increase in the basic interest rate. On the other hand, over the past few months, we have finally witnessed the success of several concessions of airports, roads and oil extraction, which demonstrate an increase in the level of investments in the medium/long term.

In spite of this scenario, the Company had a growth in the revenue from the rental of cars and fleets and sale of cars. Its net income and cash generation reached record amounts, in addition to a strong spread between the return on invested capital and the cost of debt after taxes. The business model, supported by an integrated platform, allows the Company to have flexibility and be capable of adjusting to the macroeconomic environment, regardless of whether it is more or less favorable, thus maintaining a high return on the invested capital.

We have increased the distribution network of car rental locations and stores for the sale of our
pre-owned cars (seminovos) to support the fleet renewal, thus strengthening our competitive advantage and preparing the Company for the growth opportunities and consolidation of the car rental market. Major investments were made in information technology and training programs and development of our employees and management personnel, aiming at higher productivity and customer satisfaction rates.

The record amount of cash generated permitted the distribution of R$ 250.0 million as extraordinary dividends, without compromising the leverage ratios or the confidence of the market in relation to the Company's strength. Fitch and Standard & Poor's classified the credit risk of Localiza as AAA at national scale.

The expectation of the market is that 2014 will be another year with a low GDP growth, stable inflation rate (at a high level), and higher average interest rate. Despite this challenging scenario, events such as the World Cup and the elections may benefit the demand for car rental.

We will be careful in our 2014 strategies. In 2014, the Company will seek more productivity, a more efficient management of costs and a better rate of utilization of vehicles of the Car Rental Division.

Management is committed to generate value for its shareholders and maintain a long-term approach to support growth with profitability.

Eugênio Mattar - CEO

2 - MACROECONOMIC SCENARIO

2013 was a year with great macroeconomic challenges, which, despite the several interventions of the government, reached a result below the expectations of the market at the beginning of the year. At the end of the year, inflation in Brazil reached the superior limit of the interval of the pre-established goal, despite the tight monetary policies and measures to prevent the increase in prices. With regard to foreign exchange, the strong devaluation of the Real against the U.S. dollar gave rise to the sale of foreign exchange swap contracts by the Brazilian Central Bank. Not even the negative interest rates offered by the National Bank for Economic and Social Development (BNDES) were sufficient to leverage growth in the country, which was reviewed and decreased several times during the year.

However, the concessions of airports, roads and oil extraction indicate that the level of investments may increase in the coming years, giving rise to the possibility of improvement in the country's infrastructure to boost productivity. Due to the weakening of the model of credit increase and consumption incentives, the investments became crucial for the expansion and reestablishment of the trust in Brazilian economy.

Concessions and authorizations in 2013

Concessions and authorizations in 2013

Segment	Description	Estimated investments (R$ billion)	Auction/ Authorization (date)	Goodwill/Negative goodwill (data)	Term (years)
Airports	Galeão (Rio de Janeiro)	4.3	Nov/13	294.0	25
	Confins (Belo Horizonte)	2.7	Nov/13	66.0	30
Private use terminals (authorizations)	Santos - SP (solid bulk)	2.2	Dec/13	N/A.	25 (renewable)
	São João da Barra - RJ (general cargo)	0.1	Dec/13	N/A.	25 (renewable)
	Niterói - RJ (general cargo)	0.1	Dec/13	N/A.	25 (renewable)
	Guarujá - SP (general cargo)	0.0	Dec/13	N/A.	25 (renewable)
	Porto Belo - SC (passengers)	0.0	Dec/13	N/A.	25 (renewable)
Roads (4,247 km)	BR-050 GO/MG (436 Km)	3.0	Sep/13	-42.3	30
	BR-163 MT (851 Km)	4.6	Nov/13	-52.0	30
	BR-060-153-262 (1,176 Km)	7.2	Dec/13	-52.0	30
	BR-163 MS (847 KM)	5.8	Dec/13	-52.7	30
	BR-040 DF/GO/MG (937 Km)	8.1	Dec/13	-61.1	30
Electric power	Generation of 7,146 MW (243 projects)	26.6	2013	-6.6	20-30
	Transmission lines - 8,134 Km	8.7	2013	-9.4	30
Oil and gas	11th Round (120 blocks)	5.8	May/13	2,480.0	32 to 35
	12th Round (72 blocks)	0.5	Nov/13	165.0	32 to 35
	1st Sharing Bidding Round (1 block)	0.6	Oct/13	15,000.0	35
Overall total		**80.3**			

Sources: Empresa de Planejamento e Logística S.A. (EPL), Special Secretariat of Ports (SEP), Energy Research Company (EPE) and Ministry of Mines and Energy (MME). Prepared by: Secretariat For Economic Monitoring (SEAE) / Ministry of Finance (MF).

Brazil in 2014

The election and World Cup give rise to opportunities and challenges for the Brazilian economy.

Brazil is preparing to host the World Cup in June and July of 2014. The 600 thousand foreign tourists, plus around 3 million local tourists are expected to attend the event, and shall increase activities in airports, hotels, restaurants, car rental, entertainment business, among others. Even though the impact will be stronger in the host cities, the regions nearby will also obtain benefits.

The government estimates an increase in investments in absolute amounts, but the market projects investments at a stable level of 19% of the GDP.

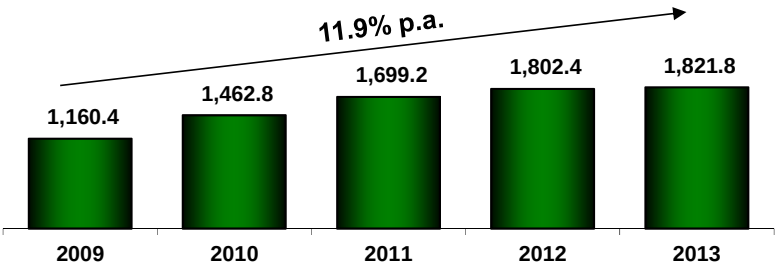
The result is a market projection of a GDP of 1.7% for 2014, while the government expects a growth of 2.5%.

The signs of weakness of the economic activity reflect the decrease in the confidence of businessmen and consumers, and the increase in industry inventories. The table below presents the actual and projected main macroeconomic indicators of the Brazilian economy:

	Actual			Projected (**)	
	2011	2012	2013(*)	2014 E	2015 E
GDP (% of growth)	2.73	1.0	2.30	1.7	2.00
IPCA (%)	6.50	5.84	5.91	5.96	5.50
Interest rate (SELIC - average)	11.61	8.48	8.19	10.97	11.80
Interest rate (SELIC - end of period)	11.00	7.25	10.00	11.25	12.00
Exchange rate R$/US$ (average)	1.67	1.95	2.34	2.45	2.50

(*) Indicators - IBGE, BCB, CETIP and IPEADATA.
(**) Focus - Market Report dated 2/21/2014.

Rental revenue in constant prices restated by the IPCA (R$ million)



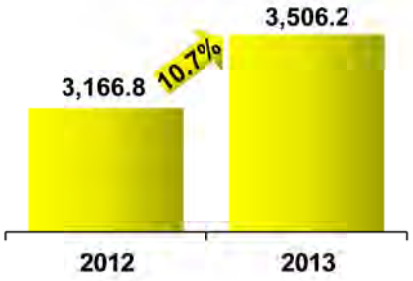
PIB	-0.3	7.5	2.7	1.0	2.3

Average of the GDP growth= 2.6% p.a.

The actual growth of the rental revenue was 4.6 x the GDP average from 2009 to 2013.

3 - 2013 HIGHLIGHTS - (IFRS)

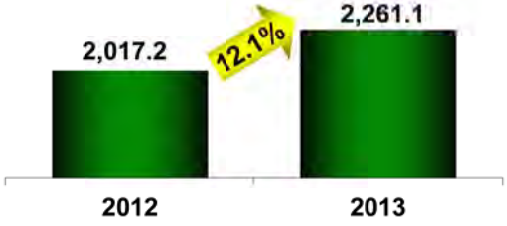
Consolidated ne revenue (R$ million)



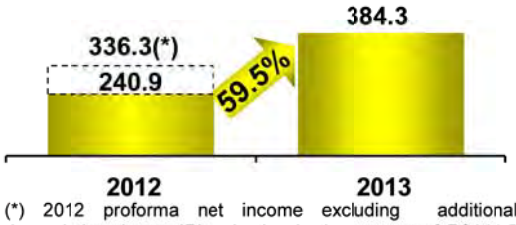
Fleet at the end of the period- number



Cash generation from operating activities (R$ million)

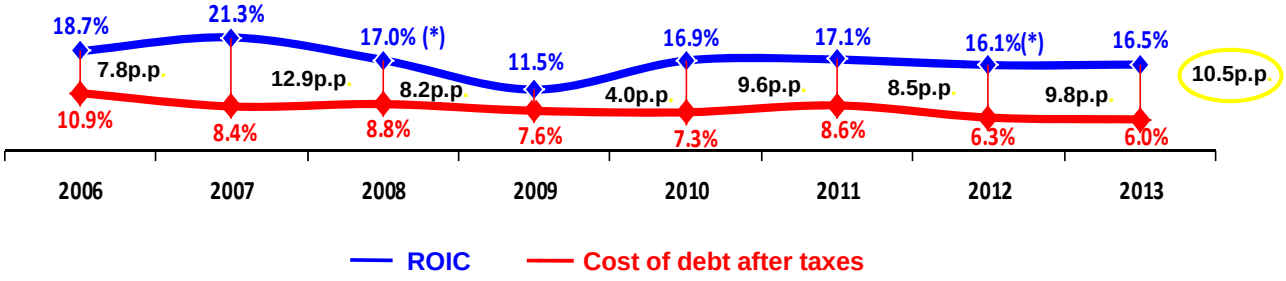


Consolidated net income (R$ million)



(*) 2012 proforma net income excluding additional depreciation due to IPI reduction in the amount of R$144.5 million, net of income tax effect, would be R$336.3 million.

Return on Invested Capital (ROIC) x Cost of Debt



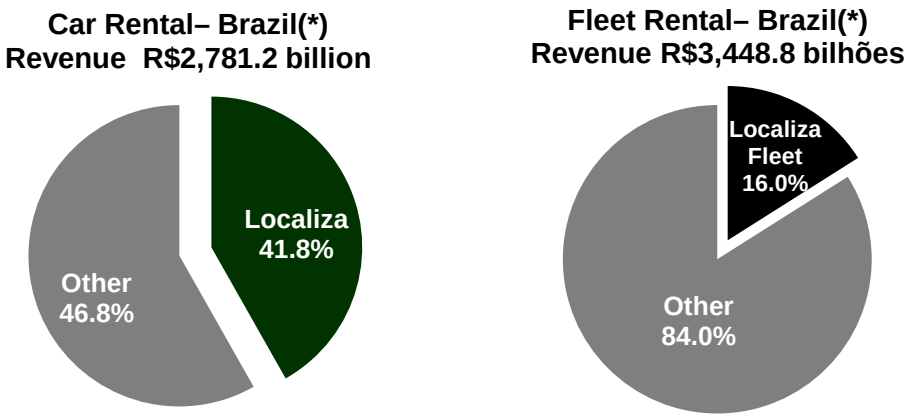
(*) 2008 and 2012 ROIC calculated excluding additional depreciation of the fleet, which was treated as loss of equity as it is an extraordinary nonrecurring event caused by external events (drop in the IPI tax on new cars), based on the concepts recommended by Stern Stewart.

4 - BUSINESS OVERVIEW

Localiza is the largest car rental company in South America in number of rental locations, with 542 car rental branches in nine countries of the South America, of which 286 are operated by the Company and 256 by its franchisees. As of December 31, 2013, the consolidated fleet of the Company and its franchisees consisted of 117,759 cars, of which 103,526 were owned cars and 14,233 franchisees' cars. Localiza's database contains 4 million active customers.

According to the Brazilian Car Rental Association (ABLA), the car rental market in Brazil is comprised of roughly 2,217 different-sized companies, of which some operate under international brands.

Market share - Brazil (2012)



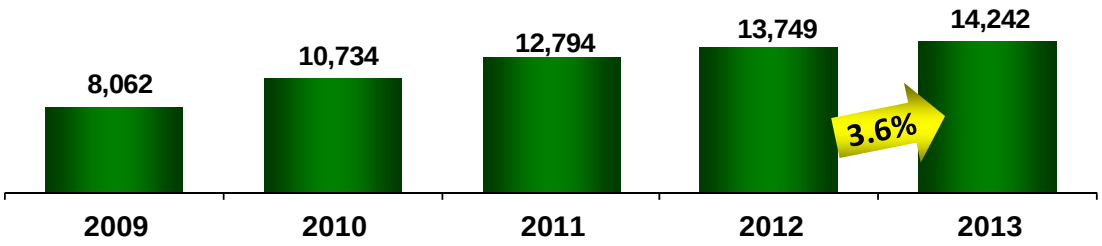
(*) Data from the latest release of the Brazilian Car Rental Association (ABLA) and Euromonitor.

Localiza and its subsidiaries are engaged mainly in: Car rental, Fleet rental and Franchising, as described below:

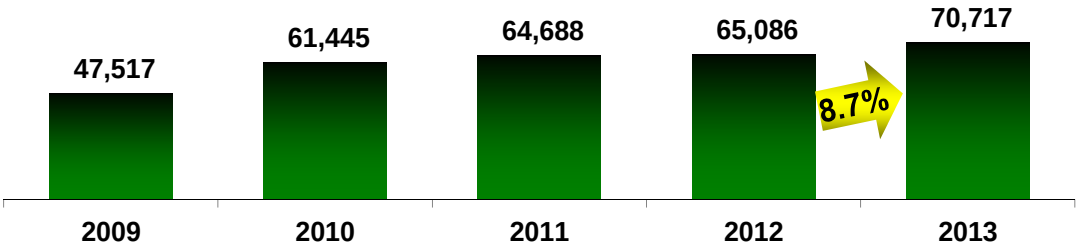
Car rental: the Company rents cars through its rental locations on and off-airports. Cars are rented by corporations and individuals on business and leisure trips to meet their car rental needs outside their places of residence, as well as by insurance companies and car makers that offer replacement vehicles to their customers in the case of accidents or mechanical repairs during the insurance or warranty term, respectively. The fleet of the Car Rental Division consists mainly of flex-fuel compact cars, which is in line with the demand from consumers and production by car makers in Brazil. Owing to the constant need to renew the fleet, Localiza sells cars after they are used for 12 months. To avoid intermediation costs in the sale of decommissioned cars, most of the cars are sold directly to the final consumer. Therefore, the Company maximizes the recoverable amount of these assets, reducing the depreciation of the cars and the net investment for fleet renewal, as selling expenses of its

own network of stores are lower than the discounts requested by car dealers.

Evolution of the number of daily rental fees (thousand)



Evolution of the fleet at the end of the period (number)



- ***Main car rental growth drivers:***

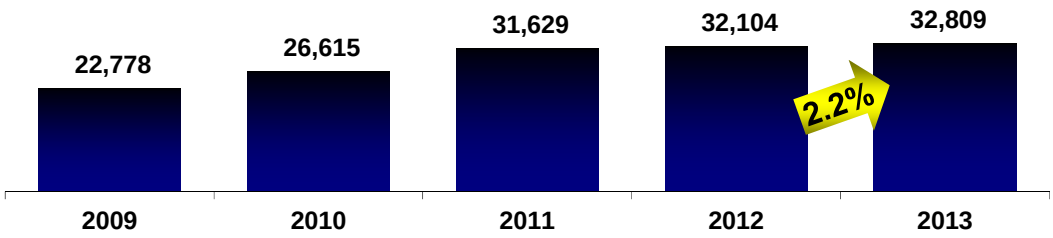
a) Public and/or private investments;

b) The increase in income and the real decrease in the amount of rental fees favor the increase in car rental. The average daily fee has dropped from 51% of the minimum wage in 2000 to 12% in 2013; and

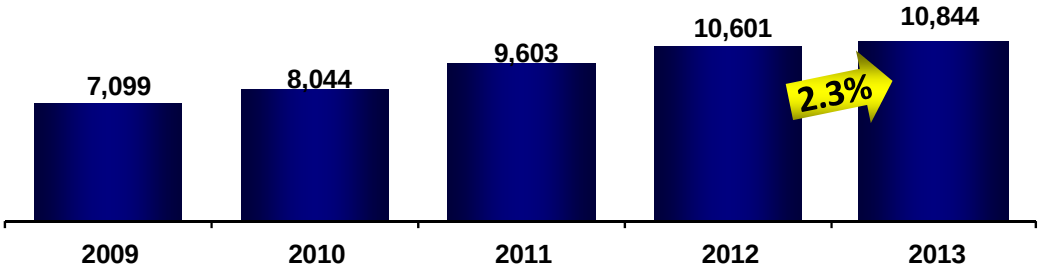
c) The increase in air traffic from 39 million in 2005 to 90 million passengers in 2013.

***Fleet rental*:** the Fleet Rental Division, through wholly-owned subsidiary Localiza Fleet S.A. (formerly Total Fleet S.A.), rents fleets under long-term agreements (generally 24 or 36 months). The fleet of this division is adapted to the customers' needs and requests and, for that reason, its cars are more diversified in terms of models, colors and brands. At the end of the rental agreements, the decommissioned cars used in fleet rental are sold directly to final consumers or car dealers.

Evolution of the fleet at the end of the period (number)



Evolution of the number of daily rental fees (thousand)



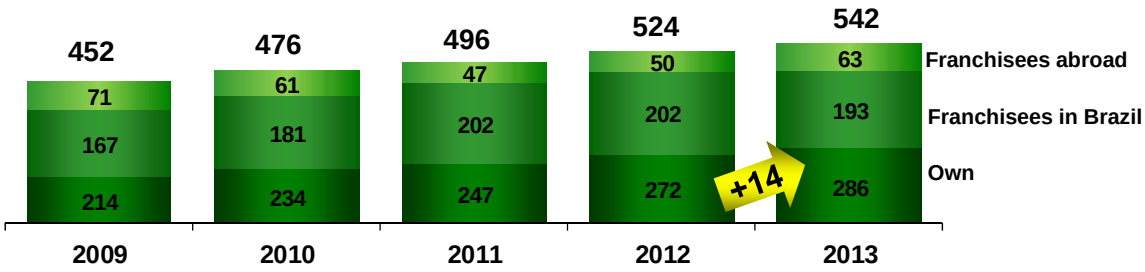
Fleet outsourcing and management in Brazil is very low (5.4% of the corporate fleet) compared with more developed markets.

Franchising: the Franchising Division is responsible for the granting and management of franchises in geographically defined markets, including the transfer of the knowledge required to operate the business and the right to use Localiza's brand. The franchising business is managed by the wholly-owned subsidiary Localiza Franchising Brasil S.A. in Brazil and Localiza itself abroad.

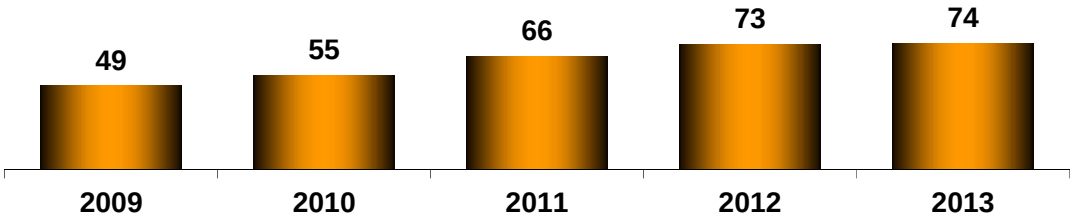
Country	Number of franchised branches 2012	2013
Brazil	202	193
Argentina	21	26
Bolivia	1	1
Chile	1	7
Colombia	12	13
Ecuador	6	6
Paraguay	5	6
Peru	1	1
Uruguay	3	3
Total	**252**	**256**

5 – DISTRIBUTION

 # Number of car rental branches



 # Number of own stores for the sale of decommissioned cars for fleet renewal (Brazil)



6 - CONSOLIDATED INCOME ANALYSIS (IFRS and BR GAAP)

	2012		2013		Variation
	In R$ million	% of Net revenue	In R$ million	% of Net revenue	%
Net revenue:					
Car rental	2,344.0	*74.0*	2,646.5	75.5	12.9
Fleet rental	805.5	*25.4*	840.2	24.0	4.3
Franchising	17.3	*0.6*	19.5	0.5	12.7
Total net revenue	***3,166.8***	***100.0***	***3,506.2***	***100.0***	10.7
Total costs	***(2,333.0)***	***-73.7***	***(2,444.1)***	***-69.7***	4.8
Gross profit	**833.8**	***26.3***	**1,062.1**	**30.3**	**27.4**
Operating expenses:					
Selling	(266.1)	*-8.4*	(289.3)	-8.3	8.7
General, administrative and other expenses	(101.9)	*-3.2*	(120.7)	-3.4	18.4
Total operating expenses:	**(368.0)**	***-11.6***	**(410.0)**	**-11.7**	11.4
Income before financial expenses	**465.8**	***14.7***	**652.1**	**18.6**	40.0
Financial expenses, net	(138.7)	*-4.4*	(110.6)	-3.1	-20.3
Income before income tax and social contribution	**327.1**	***10.3***	**541.5**	**15.5**	65.5
Income tax and social contribution	(86.2)	*-2.7*	(157.2)	-4.5	82.4
Net income for the year	**240.9**	***7.6***	**384.3**	**11.0**	**59.5**

Net revenue:

Net revenue increased by 10.7%, equivalent to a growth of R$ 339.4 million, from R$ 3,166.8 million in 2012 to R$ 3,506.2 million in 2013. The main factors that contributed to the growth in net revenues are as follows:

- *Car rental:* in 2013, net revenues grew by 12.9% on account of the growth in: (i) car rental revenues by 6.4%, from R$ 1,093.7 million in 2012 to R$ 1,163.5 million in 2013, due to the 3.6% growth in the daily rental volume and 3.0% in the average rental rate (effect of the mix of rental agreements); and (ii) revenues from the sale of decommissioned cars for fleet renewal by 18.6%, due to the 14.4% growth in the number of cars sold and increase of 4.6% in the average price of cars sold.

- *Fleet rental:* 4.3% growth in net revenues due to: (i) the increase of 7.5% in rental revenue, from R$ 535.7 million in 2012 to R$ 575.9 million in 2013, due to the increase of 2.3% in the

daily rental volume of 4.3% in the average rental fee, offset partially by: (ii) the decrease of 2.0% in revenues from the sale of decommissioned cars due to the decrease of 6.1% in the number of cars sold to renew the fleet, despite the increase of 4.6% in the average price.

Costs:

The Company's consolidated costs increased 4.8%, from R$ 2,333.0 million in 2012 to R$ 2,444.1 million in 2013. As a percentage of the consolidated net revenues, costs decreased 4.0 p.p., from 73.7% in 2012 to 69.7% in 2013.

Car depreciation in 2013 decreased 39.2%, due to the recording of an additional depreciation of R$ 144.5 million in 2012 to reflect the expected reduction in the estimated residual value of the cars. Excluding this additional depreciation in 2012, the increase in cost in 2013 would be 11.7%, mainly due to the increase of: (i) 13.8% in the cost of cars sold due to the increase of 10.6% in the volume of decommissioned cars sold for fleet renewal in comparison with 2012; (ii) 21.6% in payroll and related changes due to the increase in salaries and employee profit sharing (R$ 9.2 million); (iii) 17.3% in the costs with the rental of properties, affected by the inflation rate and the market; and (iv) growth of 10.4% in the average operating fleet of the Car Rental Division.

Operating expenses:

Operating expenses increased 11.4%, from R$ 368.0 million in 2012 to R$ 410.0 million in 2013. This increase was mainly due to growth of: (i) 14.9% in expenses with rental of properties, affected by the inflation rate and the market; (ii) 20.3% in expenses with salaries, charges and profit sharing; and (iii) expenses with sales commissions, partially offset by the decrease in advertising expenditures.

Operating expenses over net revenues remained almost unchanged, accounting for 11.6% in 2012 and 11.7% in 2013.

Financial income (expenses):

Net financial expenses decreased 20.3% in 2013 in relation to 2012. The changes were mainly due to: (i) the gain of R$ 8.9 million, a result of the mark-to-market adjustment of swap contracts, which exchanged floating rates based on the variation of the Interbank Deposit Certificate (CDI) rate for fixed rates; (ii) the decrease of 7.5% in the average net debt in 2013; and (iii) the decrease of 0.3 p.p. in the basic average interest rate from 8.4% in 2012 to 8.1% in 2013.

Income tax and social contribution:

The income tax and social contribution expenses increased 82.4%, or R$ 71.0 million, due to the increase in the net income generated in the year. The income tax and social contribution effective rate increased 2.6 p.p., from 26.4% in 2012 to 29.0% in 2013, due to the lower

significance of the interest on capital in relation to income before income tax and social contribution (see Note 15(b)).

Net income:

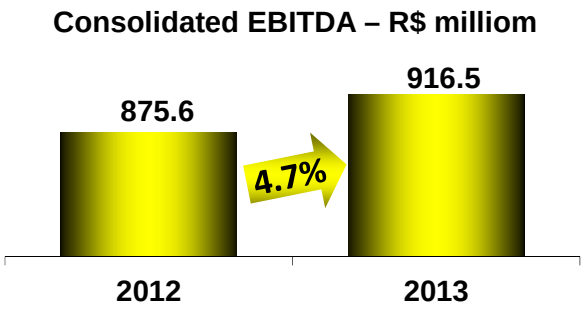
The consolidated net income increased by 59.5% in 2013, corresponding to R$ 143.4 million, from R$ 240.9 million in 2012 to R$ 384.3 million in 2013. The main factors that contributed to this increase were: (i) the decrease of 20.3% or R$ 28.1 million in net financial expenses; (ii) additional car depreciation of R$ 144.5 million in 2012, due to the reduction of the Excise Tax (IPI) for new cars, which affected the sales price of used cars; and (iii) the cost reductions were partially offset by the increase in the income tax.

Excluding the additional car depreciation of R$ 95.4 million in 2012, net of the income tax effect, the increase in net income would be 14.3%.

EBITDA:

The reconciliation of net income and EBITDA is as follows:

	2012	2013
Net income	**240.9**	**384.3**
Depreciation of cars and other	409.8	264.4
Financial expenses, net	138.7	110.6
Income tax and social contribution	86.2	157.2
EBITDA	**875.6**	**916.5**



7 - FREE CASH FLOW GENERATED

	R$ million	
	2012	2013
EBITDA	**875.6**	**916.5**
Used car sale net revenue	(1,520.0)	(1,747.3)
Depreciated cost of cars sold	1,360.2	1,543.3
(-) Income tax and social contribution	(100.9)	(108.5)
Working capital variation	37.1	2.9
Cash provided before capex	**652.0**	**606.9**
Used car sale net revenue	1,520.0	1,747.3
Capex of car - renewal	(1,563.3)	(1,819.8)
Net capex for fleet renewal	**(43.3)**	**(72.5)**
Fleet renewal- quantity	56,644	62,641
Capex – other property and equipment, net	**(80.2)**	**(54.1)**
Free cash flow before growth and before interest	**528.5**	**480.3**
Capex for car fleet growth	(55.5)	(209.4)
Change in accounts payable to cars suppliers (capex)	(116.9)	89.7
Net capex for fleet growth	**(172.4)**	**(119.7)**
Fleet increase - quantity	2,011	7,103
Free cash flow after growth and before interest	**356.1**	**360.6**

8 - ANALYSIS OF THE CONSOLIDATED BALANCE SHEET (IFRS and BR GAAP)

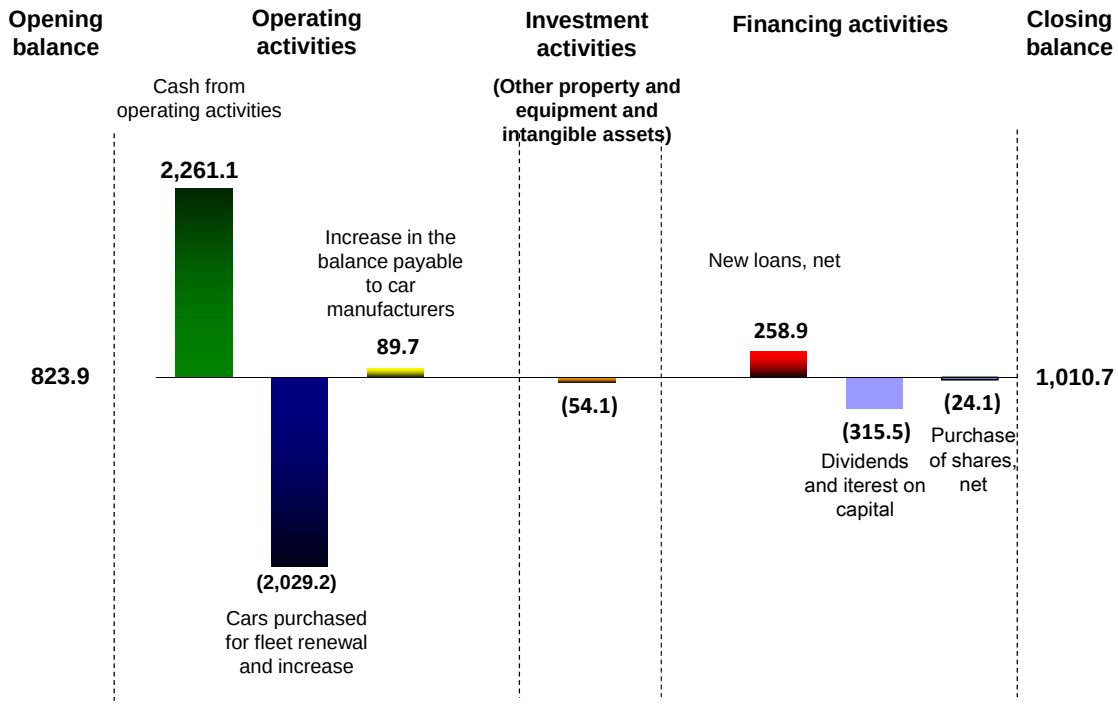
	2012		2013		Variation
	In R$ million	% of total assets	In R$ million	% of total assets	%
ASSETS					
Current assets					
Cash and cash equivalents	823.9	20.4	1,010.7	22.1	22.7
Accounts receivable	361.1	8.9	408.3	8.9	13.1
Other current assets	50.0	1.2	57.9	1.3	15.8
Decommissioned cars for fleet renewal	13.3	0.4	16.5	0.3	24.1
Total current assets	**1,248.3**	**30.9**	**1,493.4**	**32.6**	19.6
Non-current assets					
Escrow deposits	23.0	0.5	38.1	0.8	65.7
Deferred income tax and social contribution	24.5	0.6	32.4	0.7	32.2
Other non-current assets	4.1	0.2	7.2	0.2	75.6
Property and equipment					
Cars	2,534.3	62.6	2,781.4	60.8	9.8
Other property and equipment	171.0	4.2	166.1	3.6	-2.9
Intangible assets	40.7	1.0	59.6	1.3	46.4
Total non-current assets	**2,797.6**	**69.1**	**3,084.8**	**67.4**	10.3
Total assets	**4,045.9**	**100.0**	**4,578.2**	**100.0**	**13.2**

	2012		2013		Variation
	In R$ million	% of total liabilities	In R$ million	% of total liabilities	%
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade accounts payable	356.2	8.8	460.5	10.1	29.3
Social and labor obligations	53.2	1.3	73.9	1.6	38.9
Loans, financing and debentures	210.1	5.2	275.4	6.0	31.1
Dividends and interest on capital	18.6	0.4	53.1	1.1	185.5
Other current liabilities	96.1	2.5	113.8	2.5	18.4
Total current liabilities	**734.2**	**18.2**	**976.7**	**21.3**	33.0
Non-current liabilities					
Loans, financing and debentures	1,845.0	45.6	2,068.1	45.2	12.1
Other non-current liabilities	142.0	3.5	192.2	4.2	35.4
Total non-current liabilities	**1,987.0**	**49.1**	**2,260.3**	**49.4**	13.8
Total liabilities	**2,721.2**	**67.3**	**3,237.0**	**70.7**	19.0
Shareholders' equity	**1,324.7**	**32.7**	**1,341.2**	**29.3**	1.2
Total liabilities and shareholders' equity	**4,045.9**	**100.0**	**4,578.2**	**100.0**	**13.2**

The analyses of the main changes in asset and liability accounts are described below:

Cash and cash equivalents: cash and cash equivalents totaled R$ 1,010.7 million as of December 31, 2013, representing 22.1% of total assets and a growth of 22.7% compared to the balance of R$ 823.9 million as of December 31, 2012, which represented 20.4% of total assets as of that year. Cash flow from the Company's operating, investing and financing activities is as follows:

Changes in cash in 2013 (R$ million)



Intangible assets: intangible assets increased 46.4%, from R$ 40.7 million in 2012 to R$ 59.6 million in 2013, as a result of: (i) goodwill of R$ 7.8 million generated in the acquisition of the franchisee; (ii) unamortized software costs, mainly with the new ERP system in the implementation stage, of R$ 7.3 million.

Trade accounts payable: the variation of 29.3% in the trade accounts payable, from R$ 356.2 million in 2012 to R$ 460.5 million in 2013, is mainly due to the balance payable to automakers referring to the increase in quantity and the average price of cars purchased at the end of 2013 in comparison with 2012.

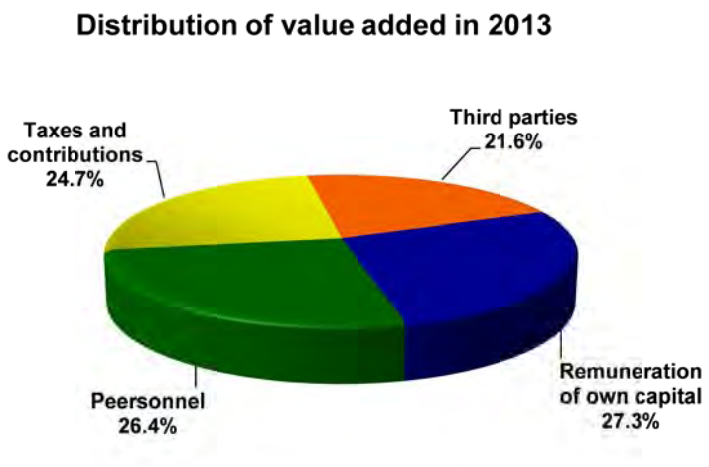
Social and labor obligations: the variation of 38.9% in social and labor obligations, from R$ 53.2 million in 2012 to R$ 73.9 million in 2013, was mainly due to the increase in the provision for the employees' profit sharing program in 2013.

The Company has a profit-sharing program established as required by Law 10,101/2000 according to the results obtained in each year. The annual amount payable is calculated through the combination of the Company's results and the individual performance of each employee, which is measured considering objective indicators and goals derived from the management contract and the annual budget approved by the Board of Directors. The increase in the provision for profit sharing in 2013 in relation to 2012 is due to the results obtained by the Company in 2013.

Loans and financing: the loans and financing account is detailed in Note 12 to the financial statements.

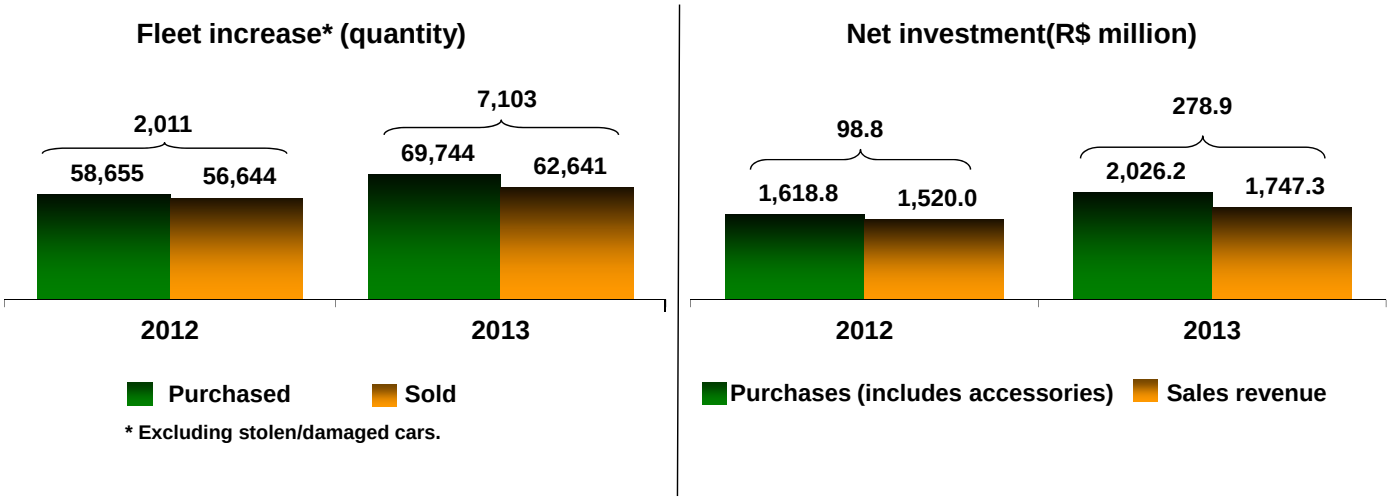
9 - STATEMENT OF VALUE ADDED (DVA)

The Statement of Value Added (DVA) evidences the Company's significance to society, through its generation of wealth, with R$ 1,405.2 million in 2013 compared to R$ 1,097.9 million in 2012.



10 - FLEET INVESTMENTS

The number of cars purchased in 2013 was 18.9% higher than in 2012. In 2013, the Company increased its fleet by 7,103 cars, a net investment of R$ 278.9 million, while in 2012 the net investment amounted to R$ 98.8 million and the fleet was increased by 2,011 cars.

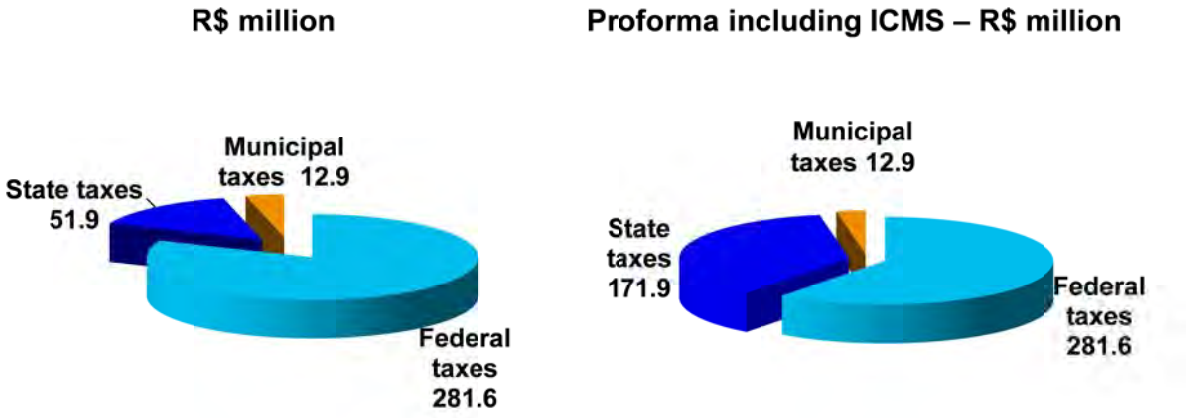


In the normal course of activities, Localiza negotiates with the car makers in the first half of each year and makes investments in its fleet based on its intention to purchase for a period of one and a half years, in order to allow greater flexibility to the orders that will be placed monthly in accordance with rental needs.

11 - TAXES

Expenses with taxes, contributions and emoluments in 2013, net of tax credits, amounted to R$ 346.4 million, of which: (i) R$ 281.6 million accounted for federal taxes; (ii) R$ 51.9 million for state taxes; and (iii) R$ 12.9 million for municipal taxes. In 2013, the total ICMS paid by the Company, included in the car purchase price accounted for in property and equipment, amounted to approximately R$ 120.0 million. Considering that the Company is the end consumer, no ICMS credit was recognized, accordingly, the taxes paid by the Company totaled approximately R$ 500.0 million.

The chart below shows the distribution of taxes by government sphere:



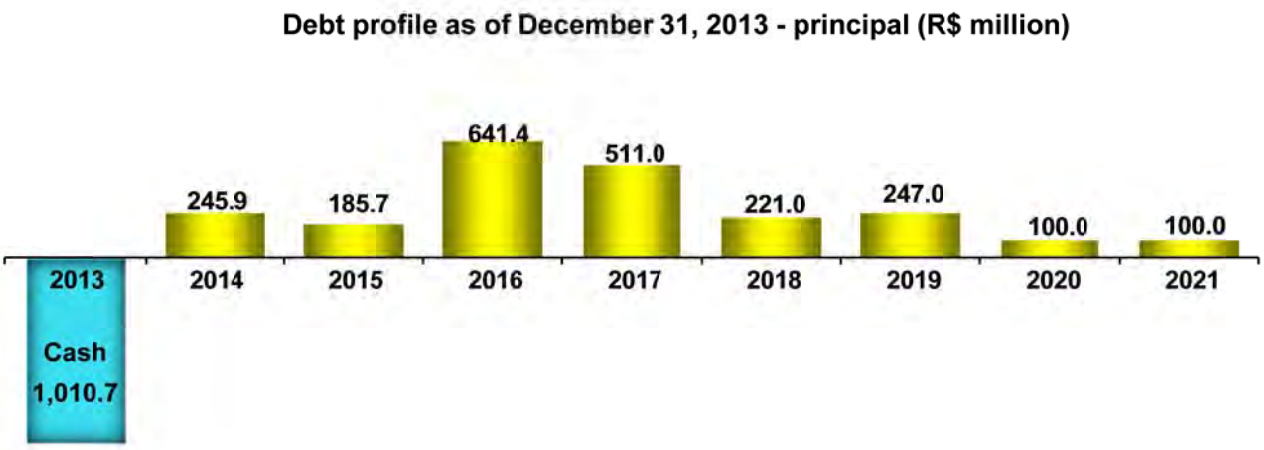
12 - INDEBTEDNESS

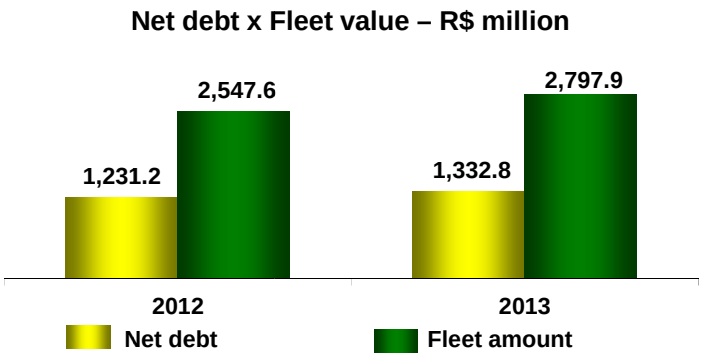
a) The main funding and repayments of loans, financing and debentures in 2013 are summarized below:

Type	Funding (R$ million)	Amortization (R$ million)	Notes
2nd issuance of debentures - Localiza	-	(66.6)	-
4th issuance of debentures - Localiza	-	(154.0)	Prepayment
7th issuance of debentures - Localiza	500.0	-	8-year term
Other	112.6	(129.3)	-
Total	**612.6**	**(349.9)**	

b) Debt profile (principal)

Management believes that the Company has a comfortable debt profile in line with business cycle.





Balances at the end of the period	2012	2013
Net debt / Fleet amount	48%	48%
Net debt/ EBITDA (*)	1.4x	1.5x
Net debt / Shareholders' equity	0.9x	1.0x
EBITDA / Financial expenses, net	6.3x	8.3x

c) Corporate rating

Localiza is included in the select group of Brazilian companies that have been awarded an investment grade by the three main rating agencies, as shown in the table below:

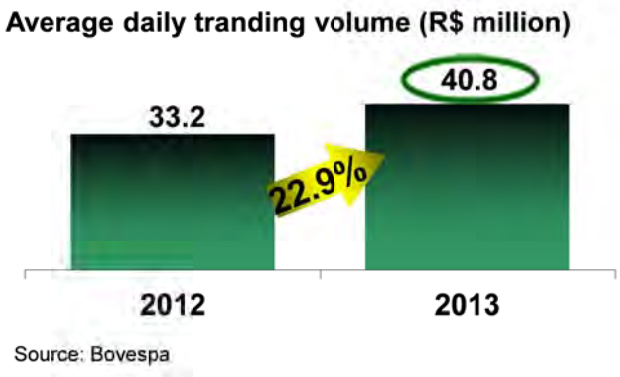
Rating agency	National scale (Brazil)	Global scale
Standard & Poors	brAAA / Stable	BBB- / Stable
Fitch Ratings	AAA(bra) / Stable	BBB / Stable
Moody's	Aa1.br / Stable	Baa3 / Stable

Localiza's rating is AAA at the national scale of Standard & Poors and Fitch.

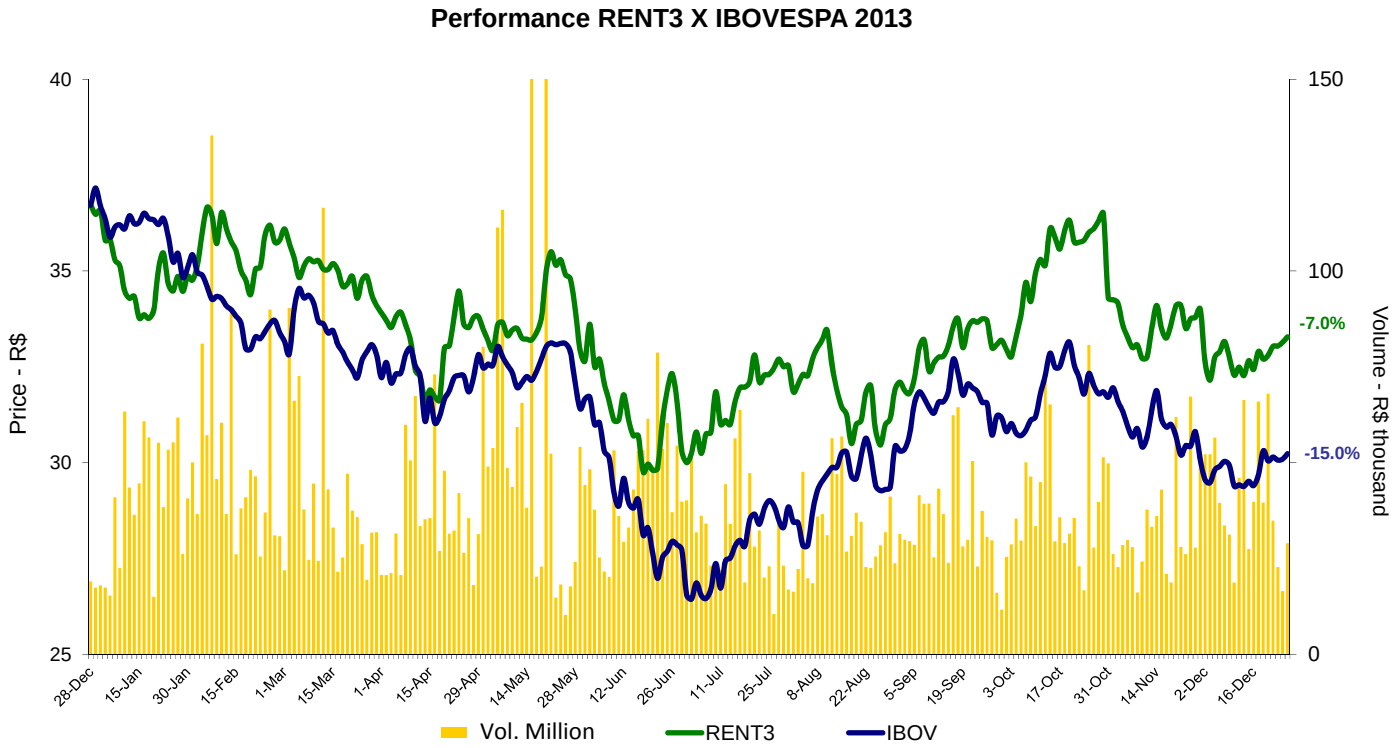
13 - CAPITAL MARKETS

As of December 31, 2013, the Company had 211,793,400 shares, of which 3,758,577 were held in treasury.

The average trading volume of RENT3 increased 22.9%, from R$ 33.2 million in 2012 to R$ 40.8 million in 2013, as shown in the chart below. With 68.9% of free float, the trading volume represented 0.8% of the float.



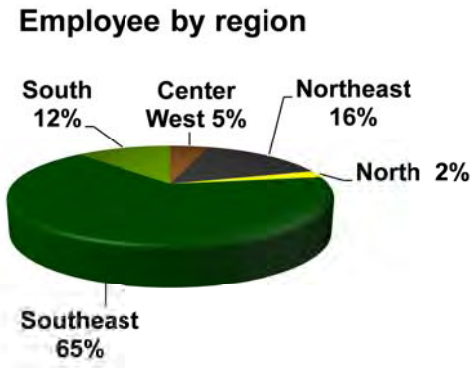
Source: Bovespa

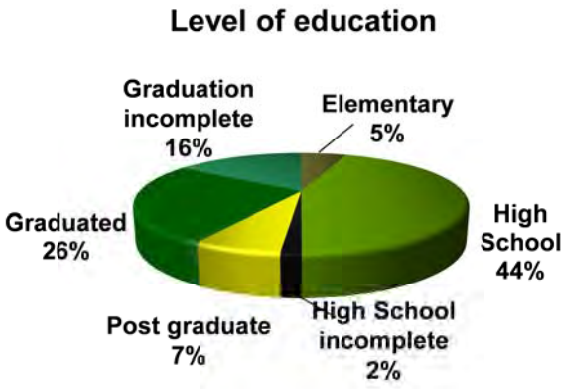


Source: Bovespa

14 - PEOPLE MANAGEMENT

Localiza acknowledges and appreciates its personnel. The Company's Human Resources practices are based on individual merit, competitive compensation and appreciation of the employees' performance. To retain its talented employees, the Company offers them career opportunities and professional training.





Benefits and development

The Company conducts salary and wage surveys on an ongoing basis to attract and retain its staff. The goal of such surveys is to determine remuneration competitiveness relative to the market and improve the relevant corporate policies from time to time.

Promotions, internal employee leverage and professional development are Localiza's values. In 2013, 527 employees were promoted, and the Company invested R$ 6.3 million in training courses, totaling 254,520 hours or about 44 hours on average by employee.

Essentially, our remuneration system is built around the concept of individual merit, with a benefit package comprising health and dental insurance plus meal vouchers. In addition, the Company has a Pension Plan for employees and Officers and a stock options plan for eligible employees.

Under the second Plan, the 2007 to 2011 Stock Option Plans were divided into four annual tranches, and the number of options per tranche is 25% of total options granted in each of the programs. This plan, approved at the Extraordinary General Meeting of April 26, 2006, was offered to the eligible employees and statutory officers, except for the members of the Board of Directors.

Under the third Plan, the 2012 and 2013 programs were created and have only one tranche as from the date of maturity. The vesting period for the eligible employee to acquire the right to exercise the option is from three to six years and the share purchase option may be exercised at any time beginning as of the right acquisition date up to the option exercise limit date. The statutory officers, statutory officers (contracted under the Brazilian Labor Code (CLT)), directors and managers are eligible to this plan. The Company defined the ratio of 4 options granted for each share invested by the executive. The options are granted if the eligible employees invest 15% to 50% of their fixed/variable remuneration in the Company's shares and maintain them for at least 3 years.

In August 2011, the Company started to sponsor a Pension Plan to supplement official social security benefits by means of a supplementary Pension Plan. Under this plan's regulations, the investment is shared between the employer and the employees, where the Company matches the employee's contribution, which varies according to a contribution scale based on salary ranges from 1% or 5% of the employee's remuneration.

In July 2012, the Company signed an Addendum to the PGBL Supplementary Pension Plan Collective Agreement, in which additional contributions will be made for Officers who have worked for over 20 continuous years in the Company and with only a few years remaining before retirement. These contributions aim to compensate years prior to the implementation of the Pension Plan and contribute for these Officers to continue providing their services and continue working at the Company until retirement, on the condition that they will not compete after retirement.

These plans and packages secure alignment of employees' interests with those of the Company's shareholders, and contribute to talent retention and for a long-term perspective in the decision-making process.

Human Resources Policies and Practices

The competence model was implemented in 2011 to establish the behavior necessary to support the Company's future growth. The model consists of four aspects, which are subdivided into ten competencies (eight for all employees and two for management team only).

Localiza continues to operate with satisfactory stability at management levels (supervision, management and senior management). The Company's general turnover was 27.7% in 2013 and 25.1% in 2012. Our Company's growth is secured by talented employees committed to our mission and values, who are also adequately compensated and capable of outstanding performance.

15 - SOCIAL RESPONSIBILITY

The Company participates in social action programs, through projects that focus on culture, social actions and education, and invested about R$ 4.4 million in 2013, regarding the following projects:

- **Incentive to sports law:** a portion of the income tax is directed to sports projects, providing incentives for leisure, sports and youth.

- **Leader Development Institute:** a project that aims to form corporate leadership committed to a social and political organization model for Brazil.

- **Millennium Institute:** a study, research, dissemination and qualification center focused on governmental, political, economic, social and cultural affairs that promotes the values and principles of a free society.

- **The Citizen's Voice - Culture and Citizenship Institute:** prioritizes the collective rights and duties of citizens.

- **Social institutions supported through the Rouanet Law, Social Fund for Children and Teenagers, Elderly Incentive Law, Support to People with Special Needs and Oncology Care Support:** the Company allocates income tax resources to previously selected and qualified institutions that have a good track record and reputation.

16 - AWARDS

In 2013, the Company won several awards, including:

Awards and recognition	Promoter institution
Corporate reputation	
Best and Biggest in transportation	Transporte Moderno magazine
55th best reputation company in Brazil	Exame magazine/ ranking Merco 2013
Franchising Excellence award	Brazilian Franchising Association (ABF)
26th most valued brand of Brazil	Isto É Dinheiro magazine / BrandAnalytics/Millward Brown survey
Best management in the transportation sector	Euromoney
Finance and investor relations	
Excellence in Corporate Finance	Brazilian Institute of Finance Executives (IBEF/MG)
Best investor relations professional of Latin America	*Institutional Investor magazine*
People Management	
2013 The Best in People Management	Valor Econômico - Valor Carreira

17 - ENVIRONMENT

The car rental and fleet rental activities do not significantly have an impact on the environment.

The Company's fleet is new and presents an efficient fuel consumption. Approximately ¾ of its cars are classified as A or B with regard to consumption, according to the National Institute of Metrology, Quality and Technology (Inmetro). The Company purchases flex fuel cars, as long as the option is available for that model, which can use ethanol as fuel, a renewable source that pollutes less than the gasoline. In the complete cycle of production, distribution and consumption of ethanol, the emission of CO2 is 89% lower than in the gasoline cycle (www.etanolverde.com.br - a study of Unicamp).

Localiza Fleet has an Environmental Management Plan, which aims to adjust and organize the environmental aspects of its operation. The Environmental Management Plan is part of the company's commitment to operate with corporate, social and environmental responsibility, considering the aspects related to institutional conformity and its continuous improvement. The company established goals and indicators to preserve electricity and water, and manage the recycling of waste, which were audited by an independent firm. The results are disclosed in its website. The details of the work are available at http://www.totalfleet.com.br/SiteInstitucional/PlanoGestaoAmbiental.aspx.

18 - CORPORATE GOVERNANCE

The Company has focused on keeping the highest Corporate Governance practices with regard to equality, conformity, regularity and transparency to add value to all shareholders and the general market. Since its IPO, the Company has been listed on the Novo Mercado, the highest Corporate Governance level, granting tag along rights to 100% of its shares.

The Company is managed by the Board of Directors with eight members and the Board of Executive Officers with six members. In line with the Governance practices required by the Novo Mercado Listing Rules, the Company's Board of Directors has four independent members. Localiza currently has no Supervisory Board in place.

The Company's Board of Directors has instated the Audit and Risk Management, Ethics and People Management committees. All committees have members from the Board of Directors. All members of the Audit and Risk Management Committee are also members of the Board of Directors, and most of them are independent.

a) Board of Executive Officers and Board of Directors

As of December 31, 2013, the Board of Directors and the Board of Executive Officers were formed by the following members:

BOARD OF DIRECTORS

Name	Title
Salim Mattar	Chairman
Antônio Claudio Brandão Resende	Deputy chair
Eugênio Pacelli Mattar	Member
Flávio Brandão Resende	Member
Jose Galló (*)	Member
Maria Letícia de Freitas Costa (*)	Member
Oscar Bernardes (*)	Member
Stefano Bonfiglio (*)	Member

(*) Independent members.

EXECUTIVE OFFICERS

Name	Title
Eugênio Pacelli Mattar	CEO
Roberto Mendes	CFO and IR Officer
Bruno Moreira de Andrade	Statutory Executive Officer
Edmar Vidigal Paiva	Statutory Executive Officer
Eugênia Maria Rafael de Oliveira	Statutory Executive Officer
Marco Antônio Martins Guimarães	Statutory Executive Officer
Daltro Barbosa Leite Júnior (*)	Statutory Executive Officer
João Alberto Mazoni Andrade (**)	Statutory Executive Officer

(*) Statutory Executive Officer of Rental Brasil S.A.
(**) Statutory Executive Officer of Localiza Fleet S.A. (formerly Total Fleet S.A.)

NON-STATUTORY OFFICERS

Alberto Wagner Teixeira Campos	Herbert Viana Andrade
Ana Cristina Carvalho Chaves	Heros Jorge
Antonio Hiroyuki Hyodo	José Carlos Batista
Bernardo Dias Gomide	Leopoldo Sampaio
Cláudio Luciano Marques	Paulo Henrique de Almeida Pires
Cláudio Zattar	Valdiney Cesário Ferreira
Fábio Matias de Souza	

The annual remuneration of the Statutory Board of Executive Officers and the Board of Directors, approved at the Ordinary General Meeting held in April 2013, is of up to R$ 28.0

million. The payment of the remuneration for the period from January to April 2014 was also approved, on the same basis of the payments made in 2013.

b) Adhesion to the Arbitration Chamber

Under the arbitration clause set forth in Article 36 of the Company's bylaws, the Company, its shareholders, management and members of the Supervisory Board undertake to settle, by means of arbitration, any and all dispute and controversy that may arise among them, whether related to or arising from, in particular, the application, validity, effectiveness, construction, breach and the effects thereof, of the provisions set forth in Law 6,404/76, the Company's bylaws, the rules issued by the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission, as well as any other rules applicable to the operation of capital markets in general, as well as those set forth in the Novo Mercado Listing Rules, the Novo Mercado Agreement and the Market Arbitration Chamber Rules.

c) ABRASCA Code of Self-Regulation and Good Practices

On May 30, 2011, Localiza, in line with best Corporate Governance practices, adhered to the ABRASCA Code of Self-regulation and Good Practices of Publicly-held Companies - "ABRASCA Self-regulation Code".

d) Code of Ethics

The Company has adopted a Code of Ethics since 1995 with the purpose of: (i) reducing the subjectivity of interpretations of ethical principles; (ii) being a formal and institutional reference for the employees' professional conduct, becoming a standard for the Company's relationship with customers, employees, suppliers, shareholders, the competition, society, government, the press, and the community where it operates; and (iii) ensuring that concerns about efficiency, competitiveness, and profitability do not take priority over ethical standards. The anti-corruption code of conduct is being prepared.

e) Relationship with Independent Auditors

Localiza has a policy according to which it does not engage consulting services provided by the external auditor which issues an opinion on the financial statements, so as to avoid potential conflicts that may interfere with the independence of the audit work.

PricewaterhouseCoopers Auditores Independentes, responsible for the audit of the Company's financial statements, was also contracted in 2013 to provide services regarding the Quality Assurance of the implementation of the ERP system and advisory services regarding the diagnosis of the Control Objectives for Information and Related Technology (COBIT) maturity level of IT. The fees paid in 2013 for the advisory services related to the COBIT of IT totaled R$ 210.0 thousand, which correspond to 32% of the fees for the audit of the financial statements. The additional aforementioned services do not imply in loss of independence of the independent auditors, related to the audit of the financial statements and the Company's Management believes that they are not included in the impediments established in article 23 of CVM Instruction No. 308/99 and is in line with the Resolution CFC1311.

f) Internal Controls, Risk Management and Whistleblowing Channel

In May 2012, the Board of Directors approved the Internal Controls and Risk Management Policy, prepared in compliance with the ABRASCA Code of Self-regulation, in order to establish controls and procedures to prevent the occurrence of errors/frauds and risk analysis that may affect the Company.

As from 2013, each area of the Company is responsible for the implementation of the recommendations for improvement addressed by the control points identified by KPMG Auditores Independentes in their engagement to document the internal processes carried out in 2012. In 2014, the Internal Audit will be responsible for the validation and implementation of these control improvements in each area.

With regard to its risk management structure, the Company has a whistleblowing channel, through which its employees and franchisees can report non-ethical and/or illegal situations and conduct at the Localiza Platform. The whistleblowing channel is available 24x7x365 and can be accessed in the following manners: (i) website on the internet; (ii) free telephone call (0800); and (iii) email. The Internal Audit and Human Resources areas are responsible for the management of the whistleblowing channel, and also for the verification of the reports received.

In 2013, the verification of the information received and considered correct generated actions that varied from a simple conduct reorientation to more significant cases, which resulted in the termination of employees and cancellation of the accreditation of suppliers.

19 - DIVIDENDS AND SHARE BUYBACK

a) Dividends

The Company holds its General Shareholders' Meeting each year by April 30, when the annual dividend may be declared. However, the Board of Directors, subject to further consideration by the Shareholders' Meeting, may declare interim dividends.

The bylaws establish that a minimum of 25% of the adjusted net income is distributed as compulsory dividend. The bylaws also establish that the Company may allocate up to 75% of net income to a bylaw income reserve denominated "Reserve for Investments", which purpose is to finance the Company and its subsidiaries' investments in fleet renewal and expansion. In 2013, R$ 250.0 million were paid as extraordinary dividends due to the strong cash generation and lower growth.

Localiza paid or credited to its shareholders, as dividends and interest on equity, the following amounts:

R$ thousand

Fiscal year	Dividends	Interest on capital	Total
2012	5,143	60,661	65,804
2013	288,612 (*)	61,390	350,002

(*) Includes extraordinary dividends of R$ 250.0 million paid in November 2013 to the shareholders.

b) Share buyback

As of December 31, 2013, the number of treasury shares was 3,758,577 shares (3,158,349 as of December 31, 2012), acquired in accordance with the 1st and 4th repurchase programs approved at the Board of Directors' meetings held on December 18, 2007 and July 19, 2012, respectively.

As of December 31, 2013, the market value of the 3,758,577 treasury shares was R$ 124.8 million (value of R$ 33.20 per share as of December 31, 2013).

First Share Buyback Program: R$ 26.1 million, net of realizations of R$ 6.5 million and an average unit cost of R$ 10.32 (minimum R$ 5.15 and maximum R$ 16.55).

Fourth Share Buyback Program: up to December 31, 2013, under the fourth Share Buyback Program, 1,072,200 shares were acquired (1,093,310 shares including stock dividend), totaling a cost of R$ 36.8 million. The average unit cost is R$ 33.64 (minimum of R$ 33.52 and maximum of R$ 33.78). This buyback was based on the approval of the Board of Directors of July 19, 2012 regarding the acquisition of up to 8,447,000 shares to be held in treasury and subsequently sale or use in the stock option program without any capital reduction. The deadline for the completion of the transaction was July 18, 2013.

As of July 25, 2013, the Board of Directors authorized the 5th repurchase program up to 9,038,000 shares of the Company, for a period of 365 days from that date. The conditions are the same as the 4th program and no action was acquired until December 31, 2013.

Treasury share changes

Up to December 31, 2013, 629,712 stock options related to the Stock Purchase Option Programs of 2007 to 2010 were exercised, using treasury shares.

20 - INVESTMENTS IN SUBSIDIARIES AND CORPORATE CHANGES

The table below shows the changes in investments in each of Localiza's subsidiaries:

R$ thousand

Description	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Localiza Car Rental	LFI SRL	Rental International	Car Assistance	Rental Brasil	Localiza JF	TOTAL
Investments as of December 31, 2012	**652,584**	**604**	**-**	**4,165**	**76**	**-**	**240**	**40,922**	**-**	**698,591**
Contribution of capital to subsidiaries	-	-	100,000	-	-	-	-	-	-	**100,000**
Acquisition of franchisee.	-	-	-	-	-	-	-	-	4,710	**4,710**
Equity in subsidiaries	184,892	14,106	(3,442)	9,001	(8)	(81)	16,370	-	45	**220,883**
Dividends received and receivable	(43,912)	(14,106)	-	(9,001)	-	-	(16,370)	-	(44)	**(83,433)**
Provision (reversal of provision) for losses on investments	-	-	(6,816)	-	-	81	-	-	-	**(6,735)**
Investments as of December 31, 2013	**793,564**	**604**	**89,742**	**4,165**	**68**	**-**	**240**	**40,922**	**4,711**	**934,016**

21 - SOCIAL REPORT

	2012			2013		
Social indicators calculation basis - R$ thousand						
Net revenue (NR)			3,166,800			3,506,235
Earnings before taxes (EBT)			327,126			541,503
Gross payroll (GP)			300,323			365,067
Internal social indicators	**Amount R$/thousand**	**% on GP**	**% on NR**	**Amount R$/thousand**	**% on GP**	**% on NR**
Meals	17,249	6%	1%	21,830	6%	1%
Compulsory social charges	66,932	22%	2%	76,731	21%	2%
Health care	12,970	4%	0%	20,636	6%	1%
Training and professional development	9,241	3%	0%	6,411	2%	0%
Day-care or day-care allowance	374	0%	0%	408	0%	0%
Profit sharing	31,524	11%	1%	50,001	14%	2%
Other	21,633	7%	1%	10,059	2%	0%
Total - internal social indicators	**159,923**	53%	5%	**186,076**	51%	6%
External social indicators	**Amount R$/thousand**	**% on EBT**	**% on NR**	**Amount R$/thousand**	**% on EBT**	**% on NR**
Education	425	0%	0%	458	0%	0%
Culture	1,692	1%	0%	2,029	1%	0%
Other	425	0%	0%	223	0%	0%
Total contributions to society	**2,542**	1%	0%	**2,710**	1%	0%
Taxes (excluding social charges)(*)	199,263	61%	6%	287,240	53%	8%
Total - external social indicators	**201,805**	62%	6%	**289,950**	54%	8%
Employee indicators			**2012**			**2013**
Number of employees at the end of the year			5,866			5,799
Number of admissions during the period			1,894			1,526
Number of outsourced employees			256			231
Number of interns			41			25
Number of employees over 45 years old			433			528
Number of women working at the company			2,761			2,693
% of management positions held by women			47.81%			46.97%
Number of afro-descendants working at the company			4,186			4,329
% of management positions held by afro-descendants			44.82%			51.38%
Number of physically-impaired people or people with special needs			26			46

(*)Does not include R$120.0 million paid by the Company as ICMS included in the car prices.

Relevant information regarding corporate citizenship	2013			Goals 2014		
Highest/lowest remuneration ratio			**74.05**			**80 (*)**
Total number of occupational accidents			**36**			**-**
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
The safety and health standards in the workplace were established by	( ) directors and managers	( ) all employees	(x) all + 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	( ) will support	(x) will organize and encourage
Total number of complaints and criticisms from consumers	In the company (**)	In Procon 238	In court 1,638	In the company (**)	In Procon NA	In court NA
Percentage of complaints and criticisms from customers handled or solved	In the company (**)	In Procon 38.2%	In court 26.4%	In the company (**)	In Procon NA	In court NA

(*) To calculate the ratio between the highest and lowest remuneration paid in the Company, the head office's salaries were used (Belo Horizonte).
(**) The call center answers calls involving mechanical problems, accidents, doubts about bills, 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)

Localiza Rent a Car S.A. and subsidiaries

Financial statements for the years ended December 31, 2013 and 2012 and independent auditor's report

PricewaterhouseCoopers Auditores Independentes

(A free translation of the original in Portuguese)

Independent auditor's report

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

We have audited the accompanying financial statements of Localiza Rent a Car S.A. ("Company" or "Parent Company"), which comprise the balance sheet as at December 31, 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Localiza Rent a Car S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

PricewaterhouseCoopers, Rua dos Inconfidentes 1190, 9º, Belo Horizonte, MG, Brasil 30140-120, Caixa Postal 289
T: (31) 3269-1500, F: (31) 3261-6950, www.pwc.com/br

pwc

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Localiza Rent a Car S.A. as at December 31, 2013, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Localiza Rent a Car S.A. and its subsidiaries as at December 31, 2013, and their financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2.1 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Localiza Rent a Car S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries based on equity accounting (Note 2.3), while IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

pwc

Localiza Rent a Car S.A.

Other matters

Supplementary information - statements of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2013, which are the responsibility of the Company's management. The presentation of this statement is required by the Brazilian corporate legislation for listed companies, but it is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Belo Horizonte, March 19, 2014

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

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

LOCALIZA RENT A CAR S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$) (A free translation of the original in Portuguese)

A S S E T S

	Note	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current assets					
Cash and cash equivalents	*4*	621,518	713,017	1,010,740	823,866
Trade accounts receivable	*5*	333,231	291,414	408,262	361,157
Dividends receivable from subsidiaries	*7(b) (i)*	54,496	39,716	-	-
Other current assets	*6*	44,685	36,188	57,898	50,034
Decommissioned cars for fleet renewal	*8*	119	26	16,520	13,277
Total current assets		**1,054,049**	**1,080,361**	**1,493,420**	**1,248,334**
Non-current assets					
Long-term assets:					
Trade accounts receivable	*5*	-	-	7,143	3,981
Escrow deposits	*14(b)*	24,092	19,650	38,076	23,042
Deferred income tax and social contribution	*15(a)*	28,033	20,204	32,359	24,510
Other non-current assets	*6*	570	488	83	83
Total long-term assets		52,695	40,342	77,661	51,616
Investments in subsidiaries	*7(a)*	948,849	703,099	-	-
Property and equipment	*8*	2,023,369	1,814,392	2,947,474	2,705,229
Intangible assets:					
Software	*9(a)*	44,355	34,307	47,291	36,221
Goodwill on acquisition of investments	*9(b)*	-	-	12,354	4,508
Total non-current assets		**3,069,268**	**2,592,140**	**3,084,780**	**2,797,574**
Total assets		**4,123,317**	**3,672,501**	**4,578,200**	**4,045,908**

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

LOCALIZA RENT A CAR S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$) (A free translation of the original in Portuguese)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	Individual (BR GAAP) 12/31/2013	Individual (BR GAAP) 12/31/2012	Consolidated (IFRS and BR GAAP) 12/31/2013	Consolidated (IFRS and BR GAAP) 12/31/2012
Current liabilities					
Trade accounts payable	*10*	386,954	304,601	460,482	356,152
Social and labor obligations	*11*	53,559	38,112	73,904	53,188
Loans, financing and debentures	*12*	172,514	141,238	275,394	210,059
Income tax and social contribution	*15(c)*	16,630	8,399	35,238	26,035
Dividends and interest on capital	*16(b) (iii)*	53,076	18,659	53,076	18,659
Other current liabilities	*13*	66,500	68,042	78,564	70,075
Total current liabilities		**749,233**	**579,051**	**976,658**	**734,168**
Non-current liabilities					
Loans, financing and debentures	*12*	1,924,357	1,681,336	2,068,145	1,845,032
Provisions	*14(a)*	39,611	26,487	50,933	35,167
Deferred income tax and social contribution	*15(a)*	58,655	46,826	111,795	76,807
Other non-current liabilities	*13*	10,253	14,048	29,461	29,981
Total non-current liabilities		**2,032,876**	**1,768,697**	**2,260,334**	**1,986,987**
Total liabilities		**2,782,109**	**2,347,748**	**3,236,992**	**2,721,155**
SHAREHOLDERS' EQUITY					
Capital	*16(a)*	976,708	601,708	976,708	601,708
Capital reserves	*16(c)*	93,064	80,669	93,064	80,669
Treasury shares	*16(d)*	(62,884)	(32,602)	(62,884)	(32,602)
Reserves and earnings retention	*16(e)*	334,320	674,978	334,320	674,978
Total shareholders' equity		**1,341,208**	**1,324,753**	**1,341,208**	**1,324,753**
Total liabilities and shareholders' equity		**4,123,317**	**3,672,501**	**4,578,200**	**4,045,908**

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF INCOME AS OF DECEMBER 31, 2013 AND 2012
YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$, except for earnings per share) (A free translation of the original in Portuguese)

		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		Years ended		Years ended	
	Note	2013	2012	2013	2012
Net revenues	*19*	2,578,974	2,277,404	3,506,235	3,166,800
Costs	*20*	(1,927,668)	(1,788,221)	(2,444,164)	(2,332,991)
Gross profit		**651,306**	**489,183**	**1,062,071**	**833,809**
Operating income (expenses):					
Selling	*20*	(226,049)	(207,019)	(289,294)	(266,055)
General, administrative and other expenses	*20*	(98,402)	(80,740)	(120,710)	(101,926)
Equity in subsidiaries	*7(a)*	220,883	159,252	-	-
		(103,568)	(128,507)	(410,004)	(367,981)
Results before financial income and expenses		**547,738**	**360,676**	**652,067**	**465,828**
Financial result:	*21*				
Financial income		58,260	49,460	76,530	60,579
Financial expenses		(166,946)	(155,384)	(187,094)	(199,281)
		(108,686)	(105,924)	(110,564)	(138,702)
Income before income tax and social contribution		**439,052**	**254,752**	**541,503**	**327,126**
Income tax and social contribution:	*15(b)*				
Current		(50,708)	(29,039)	(130,020)	(106,484)
Deferred		(4,000)	15,223	(27,139)	20,294
		(54,708)	(13,816)	(157,159)	(86,190)
Net income		**384,344**	**240,936**	**384,344**	**240,936**
Net income attributable to the Company's owners		-	-	384,344	240,936
Earnings per share (R$):	*17*				
Basic		1.90288	1.21552	1.90288	1.21552
Diluted		1.89562	1.20973	1.89562	1.20973

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$) (A free translation of the original in Portuguese)

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Years ended		Years ended	
	2013	2012	2013	2012
Net income	**384,344**	**240,936**	**384,344**	**240,936**
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**384,344**	**240,936**	**384,344**	**240,936**
Attributable to:				
Shareholders	**384,344**	**240,936**	**384,344**	**240,936**

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CHANGES IN EQUITY INDIVIDUAL (BR GAAP) AND CONSOLIDATED (IFRS AND BR GAAP)
YEARS ENDED DECEMBER 31, 2013 AND 2012

(In thousands of Brazilian reais - R$) (A free translation of the original in Portuguese)

			Capital reserves			Earnings reserves			Valuation adjustments to equity		
	Note	Capital	Recognized options granted	Goodwill on share subscription	Treasury shares	Legal reserve	Statutory reserve	Earnings retention	Deemed cost of property and equipment	Retained earnings	Total
AT DECEMBER 31, 2011		**601,708**	**13,595**	**48,615**	**(43,181)**	**28,246**	**471,484**	**-**	**116**	**-**	**1,120,583**
Options granted		-	7,136	-	-	-	-	-	-	-	7,136
Valuation adjustments to deemed cost		-	-	-	-	-	-	-	(116)	116	-
Stock options exercised using treasury shares		-	(6,437)	17,760	10,579	-	-	-	-	-	21,902
Net income		-	-	-	-	-	-	-	-	240,936	240,936
Allocation of net income:											
Legal reserve	*16(e), item (i)*	-	-	-	-	12,047	-	-	-	(12,047)	-
Interest on capital (R$ 0.26 per share)	*16(b)*	-	-	-	-	-	-	-	-	(60,661)	(60,661)
Proposed dividends (R$ 0.03 per share)	*16(b)*	-	-	-	-	-	-	-	-	(5,143)	(5,143)
Earnings retention	*16(e), item (ii)*	-	-	-	-	-	-	163,201	-	(163,201)	-
AT DECEMBER 31, 2012		**601,708**	**14,294**	**66,375**	**(32,602)**	**40,293**	**471,484**	**163,201**	**-**	**-**	**1,324,753**
Capital increase with earnings reserves	*16(a)*	375,000	-	-	-	-	(375,000)	-	-	-	-
Dividends paid with earnings reserves (R$ 1.20 per share)	*16(b), item (ii)*	-	-	-	-	-	(86,799)	(163,201)	-	-	(250,000)
Options granted	*16(c), item (i)*	-	6,125	-	-	-	-	-	-	-	6,125
Stock options exercised using treasury shares	*16(c), item (ii and iii) and 16(d)*	-	(4,991)	11,261	6,500	-	-	-	-	-	12,770
Treasury shares acquired	*16(d), item (iv)*	-	-	-	(36,782)	-	-	-	-	-	(36,782)
Net income		-	-	-	-	-	-	-	-	384,344	384,344
Allocation of net income:											
Legal reserve	*16(e), item (i)*	-	-	-	-	19,215	-	-	-	(19,215)	-
Interest on capital (R$ 0.29 per share)	*16(b), item (i)*	-	-	-	-	-	-	-	-	(61,390)	(61,390)
Proposed dividends (R$ 0.18 per share)	*16(b), item (ii)*	-	-	-	-	-	-	-	-	(38,612)	(38,612)
Statutory reserve	*16(e), item (ii)*	-	-	-	-	-	265,127	-	-	(265,127)	-
AT DECEMBER 31, 2013		**976,708**	**15,428**	**77,636**	**(62,884)**	**59,508**	**274,812**	**-**	**-**	**-**	**1,341,208**

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$) (A free translation of the original in Portuguese)

	Note	Individual (BR GAAP) 2013	Individual (BR GAAP) 2012	Consolidated (IFRS and BR GAAP) 2013	Consolidated (IFRS and BR GAAP) 2012
Cash flows from operating activities:					
Net income		**384,344**	**240,936**	**384,344**	**240,936**
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:					
Depreciation and amortization	*8/9*	119,487	245,144	264,459	409,856
Net book value of vehicles written off		1,314,255	1,106,768	1,543,312	1,360,215
Deferred income tax and social contribution	*15(a)*	4,000	(15,223)	27,139	(20,294)
Equity in subsidiaries	*7(a)*	(220,883)	(159,252)	-	-
Other		28,692	16,310	34,204	21,767
(Increase) decrease in assets:					
Trade accounts receivable		(43,988)	(14,289)	(54,736)	(14,635)
Acquisition of cars (see supplemental disclosure below)		(1,563,028)	(1,327,591)	(1,939,543)	(1,735,721)
Escrow deposits		(4,442)	1,660	(15,034)	663
Recoverable taxes		(4,058)	(8,766)	(20,308)	(11,396)
Other assets		4,155	45,372	6,211	8,510
Increase (decrease) in liabilities:					
Accounts payable (except car makers)	*10*	10,846	(11,997)	14,631	(15,589)
Social and labor obligations		15,447	(7,379)	20,691	(5,494)
Income tax and social contribution		50,708	29,039	130,020	106,484
Interest on loans, financing, debentures and swaps of fixed rates	*12*	163,108	151,807	181,594	195,881
Insurance premiums		4,010	15,839	4,010	15,839
Other liabilities		(13,171)	2,900	1,141	15,978
Cash provided by operating activities		**249,482**	**311,278**	**582,135**	**573,000**
Payment of income tax and social contribution		(32,364)	(30,853)	(108,468)	(100,872)
Payment of interest on loans, financing and debentures	*12*	(129,123)	(143,154)	(152,047)	(190,615)
Net cash provided by operating activities		**87,995**	**137,271**	**321,620**	**281,513**
Cash flows from investing activities:					
Contribution of capital to subsidiaries	*7(a)*	(100,000)	(141,474)	-	-
Acquisition of investment, goodwill and surplus	*7(b)(ii)*	(15,567)	-	(12,556)	-
Dividends from subsidiaries	*7(a)(iii)*	68,653	81,595	-	-
Acquisition of other property and equipment	*8*	(17,675)	(56,547)	(24,399)	(57,278)
Acquisition of intangible assets	*9*	(15,623)	(22,372)	(17,098)	(23,494)
Net cash used in investing activities		**(80,212)**	**(138,798)**	**(54,053)**	**(80,772)**

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$) **(continued)**

Cash flows from financing activities:					
Loans and financing:	*12*				
- Proceeds		2,253	3,442	112,565	125,763
- Amortization		(37,618)	(32,908)	(129,341)	(359,909)
Debentures:	*12*				
- Proceeds		496,277	300,146	496,277	300,146
- Amortization		(220,600)	(90,600)	(220,600)	(90,600)
Treasury shares acquired	*16(d)*	(36,782)	-	(36,782)	-
Exercise of the stock options with treasury shares, net		12,770	21,902	12,770	21,902
Dividends paid	*16(b) (ii)*	(255,143)	(26,302)	(255,143)	(26,302)
Interest on capital	*16(b) (i)*	(60,439)	(58,877)	(60,439)	(58,877)
Net cash provided by (used in) financing activities		**(99,282)**	**116,803**	**(80,693)**	**(87,877)**
Net cash flow provided in the year		**(91,499)**	**115,276**	**186,874**	**112,864**
Cash and cash equivalents:					
At the beginning of the year	*4*	713,017	597,741	823,866	711,002
At the end of the year	*4*	621,518	713,017	1,010,740	823,866
Increase (decrease) in cash and cash equivalents		**(91,499)**	**115,276**	**186,874**	**112,864**

Supplemental disclosure of cash flow information:

		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Note	**2013**	**2012**	**2013**	**2012**
Cash paid for car acquisition:					
For fleet renewal		(1,465,956)	(1,189,676)	(1,819,872)	(1,563,308)
For fleet increase		(168,579)	(38,901)	(209,370)	(55,499)
Total car acquisitions	*8*	**(1,634,535)**	**(1,228,577)**	**(2,029,242)**	**(1,618,807)**
Trade accounts payable - car makers:	*10*				
Balance at the end of the year		318,232	246,725	378,102	288,403
Balance at the beginning of the year		(246,725)	(345,739)	(288,403)	(405,317)
		71,507	(99,014)	89,699	(116,914)
Cash paid for cars purchased		**(1,563,028)**	**(1,327,591)**	**(1,939,543)**	**(1,735,721)**
Revenue from the sale of cars, net of taxes	*19*	1,464,727	1,231,767	1,747,368	1,519,994
Net cash outflows for investment in the fleet		**(98,301)**	**(95,824)**	**(192,175)**	**(215,727)**

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

LOCALIZA RENT A CAR S.A.

STATEMENTS OF VALUE ADDED
YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$) (A free translation of the original in Portuguese)

	Note	Individual (BR GAAP) 2013	Individual (BR GAAP) 2012	Consolidated (IFRS and BR GAAP) 2013	Consolidated (IFRS and BR GAAP) 2012
Revenues:					
Gross revenue net of discounts		2,613,448	2,309,899	3,567,990	3,226,801
Other revenues		4,050	779	4,550	811
Revenues related to the construction of own assets and leasehold improvements		10,665	36,427	10,665	36,745
Recognition of allowance for doubtful accounts		(2,171)	(1,788)	(4,469)	(2,937)
Total income		**2,625,992**	**2,345,317**	**3,578,736**	**3,261,420**
Costs and expenses acquired from third parties:					
Materials, energy, third parties services and other		(116,184)	(121,254)	(132,892)	(138,340)
Costs of car and fleet rental and cars sold		(1,533,353)	(1,339,565)	(1,852,671)	(1,675,873)
Total costs and expenses acquired from third parties		**(1,649,537)**	**(1,460,819)**	**(1,985,563)**	**(1,814,213)**
Gross value added		**976,455**	**884,498**	**1,593,173**	**1,447,207**
Depreciation and amortization	*20*	(119,487)	(245,144)	(264,459)	(409,856)
Wealth created		**856,968**	**639,354**	**1,328,714**	**1,037,351**
Wealth received in transfer:					
Financial income	*21*	58,260	49,460	76,530	60,579
Equity in subsidiaries	*7*	220,883	159,252	-	-
Wealth for distribution		**1,136,111**	**848,066**	**1,405,244**	**1,097,930**
Wealth distributed					
Taxes and contributions					
Federal		139,961	80,020	281,563	190,558
State		36,031	33,232	51,942	48,917
Municipal		9,583	8,132	12,941	11,096
Personnel					
Salaries and wages		219,729	170,781	290,523	231,456
Benefits		43,685	37,948	54,881	49,039
F.G.T.S. (severance pay fund)		14,099	11,547	18,822	15,755
Stock option plan	*16(c) (i)*	6,125	7,136	6,125	7,136
Third parties					
Interest	*21*	166,946	155,384	187,094	199,281
Lease of property and other		115,608	102,950	117,009	103,756
Shareholders					
Interest on capital	*16(b)*	61,390	60,661	61,390	60,661
Dividends	*16(b)*	38,612	5,143	38,612	5,143
Retained earnings	*16(e)*	284,342	175,132	284,342	175,132
Wealth distributed and retained		**1,136,111**	**848,066**	**1,405,244**	**1,097,930**

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

1. OPERATIONS

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

Localiza and its subsidiaries (the "Company") are mainly engaged in: car rental, fleet rental and franchising. As part of its fleet renewal program, Localiza and its wholly-owned subsidiary Localiza Fleet S.A.("Localiza Fleet") (formerly Total Fleet S.A. ("Total Fleet") sell their cars that are no longer used in rental operations.

As of December 31, 2013, Localiza Integrated Business Platform, including franchisees in Brazil and abroad was, consisted of 542 car rental branches, of which: i) 479 branches were in 344 Brazilian cities, of which 286 were operated by Localiza and the remaining by franchisees; and ii) 63 branches were in 37 cities in 8 South American countries, all operated by franchisees.

As of December 31, 2013, the fleet of Localiza's Integrated Business Platform was comprised 117,759 cars, of which: i) 103,526 belonged to the Company, including 32,809 of the Fleet Rental Division; ii) 11,037 belonged to franchisees in Brazil and iii) 3,196 belonged to franchisees abroad. After being used in the rental activity, the cars are sold to generate cash for fleet renewal. Decommissioned cars are sold substantially to end consumers in 74 sales points, located in 44 cities throughout Brazil, thus avoiding intermediation costs.

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

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

The main accounting practices applied in the preparation of these financial statements, individual and consolidated, are summarized below. These practices have been applied consistently for all annual reporting periods.

2.1. Declaration of conformity

The Company's financial statements include:

- Consolidated financial statements prepared and presented in accordance with IFRS issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil, identified as "Consolidated - (IFRS and BR GAAP)"; and

- The individual financial statements prepared and presented in accordance with accounting practices adopted in Brazil, identified as "Individual - (BR GAAP)".

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

The individual financial statements disclose investments in subsidiaries under the equity method of accounting, in accordance with prevailing Brazilian law. Therefore, these individual financial statements are not considered fully compliant with IFRS, which require these investments to be stated at fair value or cost in the Parent Company separate financial statements.

As there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the Parent Company's shareholders, included in the consolidated financial statements prepared in accordance with IFRS and the accounting practices adopted in Brazil, and the Parent Company's shareholders' equity and net income included in the individual financial statements prepared in accordance with the accounting practices adopted in Brazil, the Company elected to disclose these individual and consolidated financial statements as a single set in the side-by-side format.

2.2. Basis of preparation

The financial statements have been prepared based on historical cost, normally based on the fair value of consideration paid in exchange for an asset, except for the following:

- Cars and accessories comprising the fleet of Localiza and Localiza Fleet (formerly "Total Fleet") on January 1, 2009, the date of transition to the IFRS and adoption of CPC 27, and that continued to comprise the fleet in 2013, were measured at fair value as deemed cost;

- Remuneration costs relating to the Stock Option Plan measured at fair value; and
- Derivative financial instruments.

2.3. Consolidation basis and investments in subsidiaries

The consolidated financial statements have been prepared in conformity with the practices described in Note 2.7 and include the individual financial statements of the Parent Company and the financial statements related to its Brazilian and foreign subsidiaries, which have been prepared for the same reporting period as the Parent Company and recognized in Localiza's individual financial statements under the equity method.

In the consolidation, the Parent Company's interests in the subsidiary's shareholders' equity, as well as intercompany asset and liability balances, revenues, costs, expenses and unrealized profits have been eliminated. The classification of the consolidated book accounts follow the Parent Company's grouping assumptions.

The Company's direct and indirect subsidiaries included in the consolidation are listed in Note 7(a).

2.4. Key sources of estimation uncertainties

The preparation of financial statements requires management to make judgments and prepare estimates and assumptions based on past experience and other factors considered relevant, that affect the reported amounts of assets, liabilities, revenues, costs and expenses. Actual results could differ from those estimates.

Significant estimates and assumptions are used mainly: a) in the accounting for the provision for impairment losses on trade accounts receivable (allowance for doubtful accounts (Note 2.7.4.1 and Note 5)); b) in the definition of the useful lives and residual value of property and equipment items (Note 2.7.7 and Note 8); c) in the accounting for deferred income tax and social contribution (Note 2.7.14.2 and Note 15); d) in the accounting for provision (Note 2.7.12 and Note 14); e) in the measurement of remuneration costs relating to the Stock Option Plan (Note 2.7.13 and Note 16(c), item (i)); and f) in the determination of the fair value of financial instruments (Note 2.7.4 and Note 22(c)).

The Company reviews its estimates and assumptions on an ongoing basis and at least annually. The effects from reviews of accounting estimates are recognized in the period in which estimates are reviewed and changed, if the review affects only that period, or also in subsequent periods, if the review affects both current and future periods.

2.5. Functional and reporting currency

The Brazilian real is the functional currency of Company and the reporting currency of the individual and consolidated financial statements. Financial information is presented in thousands of Brazilian reais, unless otherwise indicated and is rounded to the closest thousand. The financial statements of dormant foreign subsidiaries are translated into Brazilian reais at the exchange rates prevailing on the balance sheet dates. The effects of such translation on net income (R$ 80 in 2013 and R$ 76 in 2012) and shareholders' equity are immaterial.

2.6. Statement of Value Added (DVA)

The purpose of this statement is to present the wealth created by the Company and its distribution during a certain period and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements and as supplemental information to the consolidated financial statements, since this is not required by IFRS.

2.7. Summary of significant accounting practices

The accounting practices described below have been consistently applied to all periods presented in the individual and consolidated financial statements. These accounting practices have been consistently applied to Localiza and its subsidiaries.

2.7.1 Revenue (expenses) - net revenue is measured by the value of the consideration received or receivable, net of deductions, discounts and sales taxes, recognized to the extent the generation of economic benefits to the Company is probable and may be reliably measured. Each of the Company's revenue categories is detailed as follows:

i) Car rental: revenues are recognized on a daily basis according to the rental contracts entered into with customers. The revenues from the management of rented cars insurance claims, recognized when the service is provided, as well as the revenues from insurance intermediation, on the account and discretion of our customers when cars are rented, recognized on a monthly basis, are reported together in the caption "revenue from car rental";
ii) Fleet rental: revenues are recognized on a monthly basis over the rental contract period;
iii) Sale of decommissioned cars: the proceeds from the sale of decommissioned cars for fleet renewal are recorded when the most significant risks and rewards of ownership are transferred to the buyer;
iv) Franchising: franchise revenues are based on a percentage of franchised car rental revenue and are recognized on a monthly basis. They also include the "franchise fee" corresponding to the amounts paid by the franchisee in acquiring the right to operate a branch by means of Localiza's Corporate Franchise in a given operating area for predefined periods. The franchise fee is recognized in profit or loss in accordance to terms of the agreement; and

v) Interest: interest income from financial assets is recognized based on the time and effective interest rate on the outstanding principal amount on the balance sheet dates.

Costs and expenses are recorded in the statement of income when incurred, on an accrual basis.

2.7.2 Adjustment to present value - long and short-term monetary assets and liabilities are adjusted and calculated to their present value only when the effect is considered material in relation to the consolidated financial statements taken as a whole. For accounting purposes and significance determination, the adjustment to present value is calculated taking into account contractual cash flows and the effective average cost of the Company's debt. As of December 31, 2013 and 2012, the Company concluded that it is not necessary to make adjustments to present value, as its non-current assets and liabilities are not liable to adjustments and current accounts do not show significant effects when adjusted to present value.

2.7.3 Impairment of non-financial assets - the Company evaluates at least annually if there is any indication of extraordinary impairment of (i) property and equipment, and (ii) intangible assets - software. If there is any indication of impairment, the recoverable amount of the asset is estimated to measure the impairment loss. In 2013 and 2012 no impairment losses were recognized.

In addition, Localiza tests for impairment, at least annually, the goodwill on acquisition of investment. The impairment testing of goodwill consists of measuring the recoverable amount of the cash-generating unit (CGU) to which goodwill was allocated. If the recoverable amount of a CGU is lower than its carrying amount, impairment losses are firstly allocated to reduce the carrying amount of any goodwill allocated to the CGU and subsequently to the other assets of the CGU, in proportion to the carrying amount of each of its assets. Any goodwill impairment loss is recognized directly in profit or loss and cannot be reversed in subsequent periods. In 2013 and 2012 it was not necessary to record impairment losses as tests did not indicate losses.

2.7.4 Financial instruments - financial assets and liabilities are recognized when Localiza and/or its subsidiaries are parties to the underlying agreement.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs, directly attributable to the acquisition or issue of financial assets and liabilities (except for financial assets and liabilities recognized at fair value through profit or loss) are added to or deducted from the difference of financial assets or liabilities' fair values, if applicable, after the initial recognition. Operation costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognized in the statement of income.

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to set off recognized amounts and when there is an intention to either settle them on a net basis, or to recognize the asset and settle the liability simultaneously.

2.7.4.1 Financial assets - financial assets are classified upon initial recognition, when the Company becomes a party to the underlying contract, into one of the four categories below, according to their nature and purpose: i) financial assets at fair value through profit or loss; ii) loans and receivables; iii) held-to-maturity investments; and iv) financial instruments available for sale. Financial assets are subsequently measured based on their classification into one of the four categories mentioned.

The main accounting practices adopted in the recognition and presentation of the Company's financial assets may be summarized as follows, as well as the categories according to their nature and purpose:

Cash and cash equivalents - include cash amounts, bank deposit accounts and short-term and highly liquid investments, whose redemption term is lower than 90 days after the investment date, and are immediately convertible into a known cash amount and subject to insignificant risk of change in value. Cash and cash equivalents are classified as "loans and receivables" (for measurement according to IAS 39, paragraph 45) and are stated at cost after initial recognition, plus income earned through the balance sheet date, when applicable, which do not exceed their fair or realizable value.

Trade accounts receivable- trade accounts receivable correspond to the amounts receivable from car and fleet rental, sale of decommissioned cars and franchising. Trade accounts receivable are initially recognized at fair value less the provision of impairment.

2.7.4.2 Financial liabilities - financial liabilities are classified upon initial recognition, when the Company becomes a party to the underlying contract, into one of the two categories: i) financial liabilities at fair value through profit or loss; and ii) other financial liabilities.

The Company's financial liabilities classified as "at fair value through profit or loss" include the other financial instruments - swap. The Company holds five interest rate swap contracts, of which four are held by Localiza and one by Localiza Fleet (formerly Total Fleet), to eliminate its exposure to CDI rate increase risk.

The Company's financial liabilities are classified as "other financial liabilities" (for measurement according to IAS 39, paragraph 47) and measured at the amortized cost, including loans, financing, debentures and trade accounts payable.

2.7.5 Investments - investments in subsidiaries are stated under the equity method in the individual financial statements, as described in Note 7.

2.7.6 Decommissioned cars for fleet renewal - are presented at the lower of fair value net of the estimated cost to sell and residual value, which includes acquisition cost net of accumulated depreciation through the date in which cars are classified as "decommissioned cars for fleet renewal". Cars whose carrying amounts will be recovered through sale rather than through continuing use are classified as "decommissioned cars for fleet renewal". This condition is satisfied when: i) cars are available for immediate sale under current conditions, and their sale is highly probable; ii) Management is committed to sell decommissioned cars from P&E; iii) cars are effectively available for sale at a reasonable price in relation to their current fair values; and iv) the sale is expected to be completed within one year from the date of classification.

All cars of the Car Rental Division are considered by management as cars available for rental, even if they have been transfered for renewal, and may be rented during demand peaks. The Car Rental Division considers "decommissioned cars for fleet renewal" those that already have a purchase proposal signed with the customer. For the Fleet Rental Division, all the cars returned by the customers are classified as "decommissioned cars for fleet renewal", as management does not expect to rent them again.

2.7.7 Property and equipment - cars, land, buildings, leasehold improvements, construction in progress, furniture and fixtures and equipment are stated at cost, net of accumulated depreciation and impairment, when applicable.

The depreciable amount corresponds to the positive difference between the acquisition cost and the estimated residual value, net of the estimated sale costs. In the Car Rental Division, depreciation is recognized based on the estimated useful life of each asset on a straight-line basis. In the Fleet Rental Division, cars are depreciated under the sum of digits or exponential method, because these are the methods that better reflect the pattern of consumption of the economic benefits that decrease during the useful lives of cars: depreciation is recognized so that the amount to be depreciated is fully written off up to the end of the useful life.

If the depreciable amount of cars is underestimated, the residual value would be higher than the market value, which would result in the recognition of losses when cars are sold. On the other hand, the overestimation of the depreciable amount of cars could give rise to an increase in the amount of rentals charged to customers, which would reduce the Company's competitiveness.

Constructions and leasehold improvements are amortized over the rental contract term and renewal when Management intends to exercise this right. Assets acquired under finance leases are depreciated over their expected useful lives in the same manner as own assets. Land and construction in progress are not depreciated or amortized.

Localiza and Localiza Fleet (formerly Total Fleet) revise the estimated useful lives and the residual values of the fleet cars at least once a year. For all other items in the property and equipment of Localiza and its subsidiaries, these revisions are also conducted at least annually. The impact of any changes in estimates is accounted for prospectively.

A property and equipment item is written-off after disposal or when there are no future economic benefits resulting from the continuous use of the asset. Any gains or losses on sale or write-off of a property and equipment item are determined by the difference between amounts received on sale and the carrying amount of the asset, and are recognized in profit and loss.

The weighted average depreciation annual rate for property and equipment items is as follows:

	2013	2012
Cars:		
Car Rental Division	4.5%	11.3% (*)
Fleet Rental Division	12.1%	14.5% (*)
Other property and equipment:		
Leasehold improvements (**)	16%	20.5%
Furniture and fixtures	10%	10%
IT equipment	20%	20%
Construction in the Company's own properties	4%	4%
Other	10%	10%

(*) In 2012, the increase in the weighted average depreciation annual rates of the fleet resulted from the IPI effects, as described in Note 8.
(**) The period of leasehold improvements amortization, considering the expectation of renewal of property rental contracts, is revised in accordance with the terms of the contract.

Cars in operation, either in car or fleet rental, are classified in property and equipment. Decommissioned cars, after being used in car and fleet rental and management, are presented as "decommissioned cars for fleet renewal", following the criteria mentioned in Note 2.7.6.

Tangible assets pledged as collateral for liabilities correspond to those assets acquired under finance leases (Note 23).

2.7.8 Goodwill - goodwill resulting from a business combination, classified as of indefinite useful life, is stated at cost on the date of business combination, net of accumulated impairment losses, if any. As instructed by ICPC 09, goodwill was classified as an intangible asset in the consolidated balance sheet and as investment in the Company's balance sheet.

2.7.9 Intangible assets - software - intangible assets with defined useful lives and acquired separately are recorded at cost, less accumulated amortization and impairment, when applicable. Amortization is recognized on a straight-line basis over the estimated five-year useful life. The estimated useful life and the amortization method are reviewed at the end of each year and the effect of any changes in estimates is accounted for on a prospective basis.

The Company does not have relevant intangible assets generated internally. Software implementation expenses are recorded as intangible assets when incurred.

2.7.10 Assets and liabilities subject to inflation adjustment - assets and liabilities in Brazilian reais subject to contractual or legal indexation are adjusted on the balance sheet dates through the application of the corresponding index. Gains and losses from inflation adjustment are recognized in profit and loss on an accrual basis.

2.7.11 Indemnities and claims - Localiza offers to customers the option of contracting insurance for the rented cars. Premiums received are recorded in liabilities under "other current liabilities". When the policies are issued by the insurance company, premiums received are reclassified to "trade accounts payable" and, subsequently, transferred to the insurance company, which assumes the risk arising from any potential damages and theft. The expenses incurred by Localiza on claims and indemnities, as well as any losses on stolen cars, are accounted for in assets under the caption "other current assets" and are written off upon the effective receipt from the insurance company.

2.7.12 Provision - provision is recognized for present obligations (legal or constructive) as a result of past events, when the amount of the obligation can be reliably estimated and its settlement is probable. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Actual results could differ from those estimates. Localiza and Localiza Fleet (formerly Total Fleet) record a provision for possible indemnities payable to third parties, at amounts in excess of the amounts insured by the insurance company, arising from accidents caused by rented cars, based on its legal counsel opinion.

2.7.13 Stock options plan - the Company has a share-based remuneration plan, according to which it receives services from some employees in exchange for equity instruments (share purchase options) of Localiza. The Company recognizes remuneration costs on a straight-line basis during the required period (vesting period), from the grant date to the date at which the employee has the right to exercise the option, with a corresponding increase in shareholders' equity, under the caption "Options granted", in "Capital reserves". Remuneration costs are measured at fair value on the date share purchase options are granted and were estimated based on the Black & Scholes option valuation model, see Note 16(c), item (i). Remuneration costs are charged to "Costs", "Selling expenses" and "General, administrative and other expenses", in the statement of income, according to the functional allocation of the respective employees.

2.7.14 Income tax and social contribution - expenses with income tax and social contribution represent current plus deferred taxes.

2.7.14.1 Current taxes - the provision for income tax and social contribution is based on taxable income for the year. Taxable income differs from net income recorded in the statement of income because it excludes income or expenses that are taxable or deductible in other years, in addition to excluding items that are not taxable or deductible on a permanent basis. The

provision for income tax and social contribution is calculated individually by each company under the taxable income or deemed income regime, based on prevailing rates.

2.7.14.2 Deferred taxes - deferred income tax and social contribution are recognized on temporary differences at the end of each reporting period distributed between asset and liability balances recognized in the financial statements and the corresponding tax basis used to determine taxable income, including tax losses balance, when applicable. Deferred tax liabilities are generally recognized on all temporary taxable differences and deferred tax assets are recognized on all deductible temporary differences only when it probable that the Company will present future taxable income at an amount sufficient to allow the use of these deductible temporary differences. The recovery of the deferred tax asset balance is reviewed at the balance sheet date and, when it is no longer probable that future taxable income will be available to allow the recovery of all or part of the assets, the asset balance is adjusted based on the expected recoverable amount. The subsidiaries that calculate income tax and social contribution under the deemed income regime do not recognize tax credits.

2.7.15 Interest on capital - interest credited to shareholders, calculated under Law 9,249/95, is recorded in the statement of income under "financial expenses", as required by tax legislation. However, for financial statement disclosure purposes, interest on capital is presented as a debit to retained earnings, the same treatment given to dividends. The amounts paid to shareholders as interest on capital, net of withholding income tax, are deducted from the minimum mandatory dividend, under Article 9, paragraph 7, of Law 9,249/95 and based on paragraph 5 of Article 24 of Localiza's bylaws.

2.7.16 Treasury shares - own equity instruments repurchased by the Company, are recognized at cost and deducted from shareholders' equity. Transaction costs incurred in the acquisition of shares issued by Localiza are added to these shares. No gain or loss is recognized in the statement of income upon purchase or sale of such shares. Treasury shares are acquired to be held in treasury and for subsequent sale, without capital reduction. The Company can also settle call options using treasury shares, when such options are exercised, as set forth in Note 16(d).

3. ACCOUNTING PRONOUNCEMENTS AND INTERPRETATIONS RECENTLY ISSUED

3.1 Accounting pronouncements and interpretations recently issued and applied by the Company

The following IASB and International Financial Reporting Interpretations Committee (IFRIC) accounting pronouncements are effective in this reporting period and were adopted by the Company in its financial statements for the year ended December 31, 2013. Such standards did not significantly affect these financial statements:

Pronouncement/Interpretation	Description	Effectiveness
IAS 19 - Employee Benefits	Changes the recognition of defined benefit plans and termination benefits. The most significant amendment refers to the recognition of the changes made to defined benefit obligations and the plan assets.	Year ended December 31, 2013.
IFRS 7 - Disclosures: financial asset and liability offsetting	This change addresses disclosure aspects related to the offsetting of financial assets and liabilities including rights and evaluation of its effects. This standard is effective for annual periods beginning on or after January 1, 2013. The amendments to this standard did not impact the Company's financial statements.	
IFRS 10 - Consolidated Financial Statements	Supersedes parts of IAS 27 - Consolidated and Separate Financial Statements that address when and how an investor must prepare consolidated financial statements and supersedes SIC 12 - Consolidation - Special Purpose Entities. Additionally, IFRS 10 provides a new definition of control encompassing three components: a) authority over an investee; b) exposure or right to variable returns on its interest in the investee; and c) ability to use its authority over the investee to affect the amount of returns to the investor	
IFRS 11 - Joint Arrangements	IFRS 11 supersedes IAS 31 - Interest in Joint Ventures. Requires the use of the equity method to recognize interests in joint ventures, and eliminates the proportionate consolidation method.	
IFRS 12 - Disclosure of Interests in Other Entities	Defines the purpose of disclosures and minimum disclosures for entities holding investments in subsidiaries, jointly-controlled subsidiaries, associates or other unconsolidated companies.	
IFRS 13 - Fair Value Measurement	Sets out a single framework for measuring fair value and disclosing fair value measurements when the fair value is prescribed by other pronouncements. The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is comprehensive and applies to financial and non-financial instruments.	

3.2 Accounting pronouncements and interpretations recently issued and not yet applied by the Company

The following new standards and interpretations to existing standards were issued by IASB but are not effective for 2013. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

Pronouncement/Interpretation	Description	Effectiveness
IFRS 9 - Financial Instruments	This standard is the first step in the process to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets. This standard is applicable as from January 1, 2015.	Annual periods beginning on or after January 1, 2014.
IFRIC 21 - Levies	The interpretation clarifies when an entity should recognize a liability to pay a levy in accordance with the legislation. The recognition of the obligation is applicable only after the obligating event takes place.	

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Cash and banks	7,511	7,750	22,307	12,844
Bank certificates of deposit (CDB)	164,957	298,225	240,479	333,160
Financial investments with guarantee of repurchase	449,050	407,042	747,954	477,862
Total	**621,518**	**713,017**	**1,010,740**	**823,866**

As of December 31, 2013, investments in CDBs and financial investments with guarantee of repurchase yield 101.9% of the Interbank Deposit Certificate (CDI) rate (101.6% as of December 31, 2012), have immediate liquidity and are subject to an immaterial risk of change in value.

5. TRADE ACCOUNTS RECEIVABLE

The breakdown of trade accounts receivable is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Car rental	259,732	239,101	258,720	241,176
Fleet rental	-	-	53,938	56,418
Sale of decommissioned cars	85,123	62,249	107,538	72,788
Franchising	1,374	891	14,957	10,035
	346,229	**302,241**	**435,153**	**380,417**
Allowance for doubtful accounts	(12,998)	(10,827)	(19,748)	(15,279)
Total	**333,231**	**291,414**	**415,405**	**365,138**
Current	**333,231**	**291,414**	**408,262**	**361,157**
Non-current	**-**	**-**	**7,143**	**3,981**

The aging list of trade accounts receivable is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current	301,044	260,144	361,502	299,867
Up to 30 days past-due	16,748	15,801	28,565	43,837
31 to 60 days past-due	8,441	3,935	12,690	5,539
61 to 90 days past-due	2,936	2,677	5,116	3,485
91 to 180 days past-due	5,486	6,047	8,002	7,443
Over 181 days past-due	11,574	13,637	19,278	20,246
Total	**346,229**	**302,241**	**435,153**	**380,417**

The receivables balance includes amounts overdue at the end of the period, for which the Company did not record an allowance for doubtful accounts, as there was no significant change in the credit quality and the amounts are still considered recoverable. The aging list of past-due amounts not included in the allowance for doubtful accounts is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Up to 60 days past-due	24,630	19,150	40,493	48,656
61 to 180 days past-due	6,638	6,869	10,949	8,509
Over 181 days past-due	1,249	5,481	3,130	8,338
Total	**32,517**	**31,500**	**54,572**	**65,503**

Changes in the allowance for doubtful accounts are as follows:

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
Balance as of December 31, 2012	**(10,827)**	**(15,279)**
Recognition	(46,659)	(69,861)
Reversal	44,488	65,392
Balance as of December 31, 2013	**(12,998)**	**(19,748)**

The aging list of past-due amounts included in the allowance for doubtful accounts is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current (*)	(330)	(230)	(669)	(232)
Up to 60 days past-due	(559)	(586)	(762)	(720)
61 to 180 days past-due	(1,784)	(1,855)	(2,169)	(2,419)
Over 181 days past-due	(10,325)	(8,156)	(16,148)	(11,908)
Total	**(12,998)**	**(10,827)**	**(19,748)**	**(15,279)**

(*)The Company recognizes an allowance for doubtful accounts based on an internal risk classification of customers, which may also require the Company to record an allowance for the current receivables. For details on the credit risk management policy, see Note 22(a), item (ii).

6. OTHER CURRENT AND NON-CURRENT ASSETS

Other current and non-current assets are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Prepayments	244	374	244	374
Recoverable taxes	6,372	12,429	9,544	14,645
Amounts receivable from insurance company (*)	29,819	18,572	42,915	30,355
Other receivables - subsidiaries (Note 7 (b) (item i))	4,933	3,344	-	-
Others	3,317	1,469	5,195	4,660
Total other current assets	**44,685**	**36,188**	**57,898**	**50,034**
Other receivables - subsidiaries (Note 7 (b) (item i))	487	405	-	-
Other non-current assets	83	83	83	83
Total other non-current assets	**570**	**488**	**83**	**83**
Total other current and non-current assets	**45,255**	**36,676**	**57,981**	**50,117**

(*) Refers mainly to expenses incurred on claims, cost of stolen cars and amounts receivable from the insurance company due to insurance intermediation services (Note 2.7.11).

7. INVESTMENTS IN SUBSIDIARIES AND RELATED-PARTY TRANSACTIONS

(a) Information on subsidiaries

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

The operations of the principal subsidiaries are as follows:

Localiza Fleet S.A. (formerly Total Fleet S.A.): privately-held corporation engaged in fleet rental business. At the Extraordinary General Meeting of December 23, 2013, the shareholders approved the change in the corporate name of Total Fleet S.A. to Localiza Fleet S.A.

Localiza Car Rental S.A.: privately-held corporation engaged in car rental and fleet management activities and in licensing of brands and franchises in Brazil.

Localiza Franchising Brasil S.A.: privately-held corporation engaged in franchise business in Brazil. It is also authorized to hold interests in other companies and to carry out car rental activities.

Localiza Franchising International SRL "LFI SRL": a limited liability company, headquartered in Argentina, currently dormant.

Localiza Serviços Prime S.A. ("Prime") (formerly Prime Prestadora de Serviços S.A.): privately-owned corporation operating in the intermediation of sales of decommissioned cars, previously used by Localiza and Localiza Fleet (formerly Total Fleet).

Car Assistance Serviços de Administração de Sinistros S.A.: privately-held corporation that manages car claims for insurance companies, accredits and negotiates with repair shops and other suppliers, regulates claims, approves budgets and services carried out, manages information and claims evidencing documents, and manages indemnities.

FR Assistance Serviços de Administração de Sinistros S.A. (formerly TF Assistance Serviços de Administração de Sinistros S.A.): wholly-owned subsidiary of Localiza Franchising Brasil S.A., currently in the pre-operating stage and whose corporate purpose is to manage car claims for insurance companies, accredit and negotiate with repair shops and other suppliers, regulate claims, approve budgets and services carried out, manage information and claims evidencing documents, and manage indemnities.

Rental International LLC: wholly-owned subsidiary of the Company established to conduct financial activities abroad. The company is currently dormant.

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

Localiza JF Aluguel de Carros Ltda: limited liability company, former franchisee of the brand Localiza, which carried out the franchise business in the cities of Juiz de Fora and Rio Novo in Minas Gerais, and Três Rios, Resende and Volta Redonda in Rio de Janeiro. On August 6, 2013, it was acquired by the Company, and started to operate with car rental in these cities.

Interest in capital, shareholders' equity and income/expenses of direct and indirect subsidiaries are as follows:

			Interest					
	Number of shares		In capital (%)		In shareholders' equity		In income/expenses	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	2013	2012
Direct subsidiaries:								
Localiza Fleet (Total Fleet)	103,280,354	103,280,354	100.0	100.0	793,564	652,584	184,892	126,009
Localiza Franchising Brasil	399,069	399,069	100.0	100.0	604	604	14,106	11,706
Localiza Serviços Prime	15,000	15,000	100.0	100.0	89,742	-	(3,442)	2,396
Localiza Car Rental	1,339,961	1,339,961	100.0	100.0	4,165	4,165	9,001	5,682
Rental International (*)	1,000	1,000	100.0	100.0	-	-	(81)	(74)
Car Assistance	200,000	200,000	100.0	100.0	240	240	16,370	13,535
LFI SRL	23,750	23,750	95.0	95.0	68	76	(8)	(2)
Rental Brasil	15,000,000	15,000,000	100.0	100.0	40,922	40,922	-	-
Localiza JF	4,709,202	-	100.0	-	4,711	-	45	-
					934,016	**698,591**	**220,883**	**159,252**
Goodwill and surplus on acquisition of investments								
Appreciation of property and equipment, net of realizations					2,479	-		
Goodwill					12,354	4,508		
Total					**948,849**	**703,099**		
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	-	-

(*) At December 31, 2013, Localiza recognized in its liabilities a provision for equity deficiency related to the subsidiary Rental International.

Change in investments in subsidiaries, including goodwill, is as follows:

Balance as of December 31, 2012	**703,099**
Capital contribution in subsidiary	100,000
Acquisition of franchisee, goodwill and asset surplus (*)	15,035
Equity in subsidiaries	220,883
Dividends from subsidiaries (item (iii) below)	(83,433)
Reversal of negative equity (**)	(6,735)
Balance as of December 31, 2013	**948,849**

(*) Refers to the investment, appreciation of assets net of realizations and goodwill on acquisition in August 2013 of the franchisee that operated with car rental in the cities of Juiz de Fora and Rio Novo in Minas Gerais, and Três Rios, Resende and Volta Redonda in Rio de Janeiro.
(**) Prime and Rental International.

At the Extraordinary General Meeting held on May 24, 2012, the shareholders approved the Company's capital contribution of R$ 13,650 to the subsidiary Localiza Serviços Prime S.A. (formerly Prime Prestadora de Serviços S.A.) through receivables. Accordingly, Prime's capital increased from R$ 950 to R$ 14,600.

At the Meeting held on October 24, 2013, the Board of Directors approved the Company's capital contribution of R$ 100,000 to the subsidiary Localiza Serviços Prime S.A. (formerly Prime Prestadora de Serviços S.A.). Accordingly, Prime's capital increased from R$ 14,600 to R$ 114,600.

At the Extraordinary General Meeting held on April 12, 2012, shareholders approved the Company's capital contribution, in the amount of R$ 80,000, to subsidiary Localiza Fleet (formerly Total Fleet) through the merger of a portion of the earnings reserve. Accordingly, the capital of Localiza Fleet (formerly Total Fleet) increased from R$ 320,000 to R$ 400,000. At the Extraordinary General Meeting held on September 21, 2012, shareholders approved another capital contribution by the Company, in the amount of R$ 120,000, in cash and assets. Accordingly, the capital of Localiza Fleet (formerly Total Fleet) increased from R$ 400,000 to R$ 520,000.

On August 24, 2012, Rental Brasil Administração e Participação S.A. was incorporated as approved by the Board of Directors on July 19, 2012. The company's capital was R$ 150,000 as of December 31, 2012, of which R$ 40,922 was paid up in cash and assets.

A summary of the financial information of the main elements of the balance sheets and statements of income of the direct subsidiaries is as follows:

(i) Balance sheets

12/31/2013	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Localiza Car Rental	Rental International	Car Assistance	Rental Brasil	LFI SRL	Localiza JF
Assets									
Current	351,831	22,193	110,209	15,301	15	5,357	12,709	116	538
Non-current:									
Long-term assets	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									
Current	256,347	10,346	12,888	11,152	-	5,117	399	-	3,402
Non-current	201,452	14,662	10,032	-	487	-	-	44	1,269
Shareholders' 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**

12/31/2012	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Localiza Car Rental	Rental International	Car Assistance	Rental Brasil	LFI SRL
Assets								
Current	154,253	17,238	15,407	8,665	14	5,147	19,067	129
Non-current:								
Long-term assets	4,490	1,724	1,483	1	-	-	-	-
Investment	4	-	-	-	-	-	-	-
Property and equipment	868,592	158	-	-	-	-	(*)22,087	-
Intangible assets	1,628	286	-	-	-	-	-	-
Total	**1,028,967**	**19,406**	**16,890**	**8,666**	**14**	**5,147**	**41,154**	**129**
Liabilities								
Current	178,296	8,568	13,786	4,501	-	4,907	232	-
Non-current	198,087	10,234	9,920	-	405	-	-	49
Shareholders' equity	652,584	604	(6,816)	4,165	(391)	240	40,922	80
Total	**1,028,967**	**19,406**	**16,890**	**8,666**	**14**	**5,147**	**41,154**	**129**

(*) Refers to land transferred by Localiza to Rental Brasil S.A. as capital increase, and expenditures incurred with buildings in 2013.

(ii) Statements of income

2013	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Localiza Car Rental	Rental International	Car Assistance	LFI SRL	Localiza JF
Net revenue	838,008	18,788	52,777	23,643	-	18,609	-	1,435
Gross profit	320,033	15,354	45,381	11,667	-	18,242	-	84
Income (loss) before income tax and social contribution	279,427	16,718	(3,281)	11,769	(81)	18,730	(8)	60
Net income (loss)	**184,892**	**14,106**	**(3,442)**	**9,001**	**(81)**	**16,370**	**(8)**	**45**

2012	Localiza Fleet	Localiza Franchising Brasil	Localiza Serviços Prime	Localiza Car Rental	Rental International	Car Assistance	LFI SRL
Net revenue	802,742	16,848	55,880	16,276	-	15,438	-
Gross profit	257,649	13,084	50,795	7,971	-	15,152	(1)
Income (loss) before income tax and social contribution	190,666	13,980	4,009	7,594	(74)	15,453	(2)
Net income (loss)	**126,009**	**11,706**	**2,396**	**5,682**	**(74)**	**13,535**	**(2)**

(iii) Dividends from subsidiaries

2013	Localiza Fleet	Localiza Franchising Brasil	Localiza Car Rental	Car Assistance	Localiza JF	Total
2012 dividends	29,929	3,324	2,297	4,166	-	39,716
2013 prepaid dividends	-	10,429	6,495	12,013	-	28,937
2013 proposed dividends	43,912	3,677	2,506	4,357	44	54,496
Total	**73,841**	**17,430**	**11,298**	**20,536**	**44**	**123,149**

2012	Localiza Franchising Brasil	Localiza Car Rental	Car Assistance	Total
2012 dividends	8,383	3,386	9,370	21,139
Total	**8,383**	**3,386**	**9,370**	**21,139**

(b) Balances and transactions with related parties

(i) Balances and transactions with subsidiaries

	Localiza Fleet		Localiza Serviços Prime		Other		Total	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Balances:								
Trade accounts receivable	2,966	1,815	-	-	7,882	2,045	10,848	3,860
Dividends receivable from subsidiaries	43,912	29,929	-	-	10,584	9,787	54,496	39,716
Other receivables (current and non-current) (Note 6)	1,213	-	1	3,021	4,206	728	5,420	3,749
Equity deficit in subsidiaries (Note 13)	-	-	-	6,816	472	391	472	7,207
Payables to subsidiaries (Note 13)	-	1,661	-	-	300	70	300	1,731

	Localiza Fleet		Localiza Car Rental		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Transactions:								
Recovery of expenses and costs	12,706	12,375	708	610	5,441	4,138	18,855	17,123
Revenues from car rentals	13,510	10,031	10,462	7,213	3	26	23,975	17,270

As of December 31, 2013, there was collateral related to guarantees for loans and financing amounting to R$ 651,322 (R$ 767,683 on December 31, 2012), between Localiza and Localiza Fleet (formerly Total Fleet). There was also collateral between companies when bank guarantees and insurance were contracted for lawsuits totaling R$ 11,443 (R$ 16,283 as of December 31, 2012).

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 JF Aluguel de Carros

At the Company's Extraordinary General Meeting, held on August 2, 2013, the shareholders approved the acquisition of all the capital quotas of Localiza JF Aluguel de Carros Ltda., a franchisee of Localiza, which was engaged in car rental in the cities of Juiz de Fora and Rio Novo in Minas Gerais, and Três Rios, Resende and Volta Redonda in Rio de janeiro. On August 6, 2013, a contract for purchase and sale totaling R$ 15,567 was signed, generating an investment of R$ 4,710, a goodwill of R$ 7,846 due to the future projected profitability allocated to the Car Rental Division and a fair value adjustment of cars of R$ 3,011. The net assets acquired by the Company comprised the following balance sheet accounts:

Assets as of June 30, 2013		Liabilities and shareholders' equity as of June 30, 2013	
Current assets:		**Current liabilities:**	
Cash and cash equivalents	5	Provisions	74
Total current assets	5	Loans and financing	7,072
		Loan	1,226
		Total current and non-current liabilities	8,372
		Shareholders' equity:	
Non-current assets:		Capital	4,710
Property and equipment	13,077		
Total non-current assets	13,077	Total shareholders' equity	4,710
Total assets	13,082	Total liabilities and shareholders' equity	13,082

(iii) Other related-party transactions

- Remuneration of key management personnel

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2013	**2012(*)**	**2013**	**2012(*)**
Remuneration of the Board of Directors	7,930 (**)	2,827	7,930 (**)	2,827
Management and Executive Board:				
Fees and remuneration	12,971	10,946	22,912	17,695
Payroll taxes	3,465	3,388	5,733	5,216
Options granted	4,288	4,612	4,288	4,612
Pension plan (Note 25)	1,920	2,245	3,183	3,422
Total	**30,574**	**24,018**	**44,046**	**33,772**

(*) Recalculated.

(**) The members of the Board of Directors who are also Statutory Officers do not receive the remuneration of the Board of Directors.

In 2012, the Chairman of the Board of Directors occupied also the position of CEO of the Company, therefore, he did not receive remuneration as Chairman of the Board of Directors.

In 2013, the Chairman of the Board of Directors was no longer the CEO of the Company (as from April 2013), therefore, he started to receive fees as Chairman of the Board of Directors, which explains the increase in the remuneration of the Board of Directors in 2013.

The Company offers a Pension Plan to management (see details in Note 25). Except for this plan, the Company does not offer other severance benefits to management.

8. PROPERTY AND EQUIPMENT

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

	Individual (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	Cars	Other property and equipment	Total	Cars	Other property and equipment	Total
Cost:						
As of December 31, 2012	1,766,568	223,116	1,989,684	2,912,406	247,447	3,159,853
Additions	1,634,535	17,675	1,652,210	2,029,242	24,399	2,053,641
Write offs/transf.	(1,448,999)	(11,747)	(1,460,746)	(1,789,179)	(11,533)	(1,800,712)
As of December 31, 2013	**1,952,104**	**229,044**	**2,181,148**	**3,152,469**	**260,313**	**3,412,782**
Accumulated depreciation:						
As of December 31, 2012	(99,850)	(75,442)	(175,292)	(378,136)	(76,488)	(454,624)
Additions	(84,791)	(29,121)	(113,912)	(229,048)	(29,383)	(258,431)
Write offs/transf.	119,778	11,647	131,425	236,106	11,641	247,747
As of December 31, 2013	**(64,863)**	**(92,916)**	**(157,779)**	**(371,078)**	**(94,230)**	**(465,308)**
Residual value:						
As of December 31, 2012	**1,666,718**	**147,674**	**1,814,392**	**2,534,270**	**170,959**	**2,705,229**
As of December 31, 2013	**1,887,241**	**136,128**	**2,023,369**	**2,781,391**	**166,083**	**2,947,474**

(*) Include write-offs due to car sale, 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 Juiz de Fora (further details in Note 7b(ii)).

The breakdown of the main classes of assets under "Other property and equipment", as well as their residual values, are as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Leasehold improvements (*)	86,538	80,933	86,574	80,933
Furniture and fixtures	21,666	23,644	22,380	24,380
IT equipment	10,660	10,901	10,800	11,013
Property and equipment in progress	2,043	15,862	15,074	22,301
Land	681	681	16,503	16,503
Others	14,540	15,653	14,752	15,829
Total	**136,128**	**147,674**	**166,083**	**170,959**

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

As of December 31, 2013, the captions "cars" and "other property and equipment" include residual values of property and equipment items acquired under finance leases in the amount of R$ 223,131 (R$ 117,457 as of December 31, 2012). For further details on finance leases see Note 23.

The average depreciation rates of property and equipment items are stated in Note 2.7.7.

Effect of IPI reduction

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

After the Government's announcement of the IPI reduction on May 21, 2012, the Company adjusted the depreciation of its fleet to reflect the expected drop in the market value of cars. The impact of the IPI reduction on the price of cars was estimated at R$ 180.5 million (R$ 116.0 million in the Car Rental Division and R$ 64.5 million in the Fleet Rental Division).

The extension of the IPI reduction until the end of 2013 did not result in new impacts on depreciation, since the additional depreciation announced by the Company in 2Q12 included the adjustment for the entire fleet and was based on the assumption that the prices would not return to the levels they were before the IPI reduction.

The additional depreciation balance due to decrease in IPI is already insignificant in both Divisions.

At the end of 2013, the Government announced the continuity of the increase in IPI for new cars as from January 2014. The estimate is that the rate will return to its previous level in July 2014.

The Company believes that the increase in the IPI rate will not significantly affect the prices charged for new and used cars and the depreciation per car due to the increase in the installed capacity of automakers above the increase in the estimated demand estimated by the market and the import restrictions established by Argentina.

Decommissioned cars for fleet renewal

Decommissioned cars for fleet renewal are presented at the lower of fair value less cost to sell and residual value, which includes acquisition cost net of accumulated depreciation through the date in which cars are classified as "decommissioned cars for fleet renewal". The balances for each year are as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Cost	135	27	25,636	18,208
Accumulated depreciation	(16)	(1)	(9,116)	(4,931)
Residual value	**119**	**26**	**16,520**	**13,277**

Construction of the new headquarters of the Company

At a meeting held on June 20, 2013, the Board of Directors approved the construction of the new headquarters of the Company. The expected investment is approximately R$ 210,000 at current price. This investment will permit: (i) the reduction of expenses from property rentals in the future; (ii) a productivity gain with the centralization of administration and support activities, which are currently located in five buildings; and (iii) support of the growth of the Company permitting the integration and same location of the central management.

The land of 30 thousand m² was purchased 5.2 years ago and is currently owned by Rental Brasil Administração e Participação S.A., a wholly-owned subsidiary of Localiza. Approximately R$ 22,087 was spent on the land, projects and approvals from municipal authorities. This amount is not included in the amount approved for the construction. Of the total investment approved, R$ 6,525 was expended up to December 31, 2013. All of the current furniture and equipment will be used in the new facilities.

9. INTANGIBLE ASSETS

(a) Software

The cost, accumulated amortization and residual value of software are as follows:

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
Cost:		
As of December 31, 2012	42,318	44,726
Additions	15,623	17,098
As of December 31, 2013	**57,941**	**61,824**
Accumulated amortization:		
As of December 31, 2012	(8,011)	(8,505)
Additions	(5,575)	(6,028)
As of December 31, 2013	**(13,586)**	**(14,533)**
Residual value of software:		
As of December 31, 2012	**34,307**	**36,221**
As of December 31, 2013	**44,355**	**47,291**

As of December 31, 2013, the estimated amortization expenses for the next five years were as follows:

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
2014	5,374	5,875
2015	4,843	5,334
2016	4,081	4,505
2017	2,452	2,691
2018	355	420
Residual value of unamortized software already implemented	**17,105**	**18,825**
Software in the implementation stage (*)	27,250	28,466
Residual value of software	**44,355**	**47,291**

(*) Corresponds to the unamortized costs of software in the implementation stage.

Expenses on amortization of software are allocated under the captions "Cost", "Selling expenses" and "General, administrative and other expenses", in the statement of income, according to their nature and allocation. No intangible assets were pledged as collateral for liabilities. There are no fully amortized material intangible assets still in use by the Company.

(b) Goodwill on acquisition of investments

The gross carrying amount, the accumulated amortization and the residual value of goodwill are as follows:

	Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012
Goodwill on acquisition of non-controlling interest in subsidiaries	4,918	4,918
Goodwill on acquisition of investments in franchisee (Note 7 b(ii))	7,846	-
Accumulated amortization	(410)	(410)
Residual value	**12,354**	**4,508**

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 yearly.

Goodwill of R$ 7,846 on the acquisition of a franchisee, allocated to the Car Rental Division, will not be amortized and is tested for impairment at least annually.

10. TRADE ACCOUNTS PAYABLE

Trade accounts payable are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Automakers	318,232	246,725	378,102	288,403
Maintenance services and parts	22,897	23,614	35,949	32,903
Rentals	6,727	5,802	6,727	5,808
Insurance premiums	12,561	14,268	12,540	14,268
Others	26,537	14,192	27,164	14,770
Total	**386,954**	**304,601**	**460,482**	**356,152**

The variation in the consolidated trade accounts payable in 2013 is mainly due to the balance payable to automakers referring to the increase in quantity and the average price of cars purchased at the end of the year without financial charges and with average maturity of 60 days.

11. SOCIAL AND LABOR OBLIGATIONS

Social and labor obligations are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Management fees	1,572	2,362	3,144	4,724
Accrued vacation	19,066	16,174	24,994	21,472
Profit sharing/Provision for employee	26,142	13,800	36,366	19,066
Social security contribution (INSS)	4,393	3,796	5,992	5,171
Severance pay fund (FGTS)	918	842	1,249	1,136
Others	1,468	1,138	2,159	1,619
Total	**53,559**	**38,112**	**73,904**	**53,188**

The Company has a profit-sharing program established as required by Law 10,101/2000 based on the results obtained in each year. The annual amount payable is defined through the combination of the Company's results (net income and profitability), which determine the maximum amount payable regarding to the profit sharing program, in addition to the individual performance of each employee, which is measured, mainly, considering objective indicators and goals derived from the management contract and the annual budget approved by the Board of Directors.

The increase in the provision for employee profit sharing of 2013 in relation to 2012 is due to the results obtained by the Company in 2013.

Localiza makes semiannual profit sharing payments for employees, which are 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.

12. LOANS, FINANCING AND DEBENTURES

Loans, financing and debentures are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)			
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	Maturity	Effective interest rate
In local currency (R$)						
Debentures - 2nd issuance (a)	66,707	133,161	66,707	133,161	7/2/2014	CDI + 0.6% p.a.
Debentures - 4th issuance (a)	194,432	349,244	194,432	349,244	5/5/2014 to 5/5/2017	114.2% of CDI
Debentures - 5th issuance (a)	501,859	500,001	501,859	500,001	5/30/2016 to 5/30/2017	114.5% of CDI
Debentures - 6th issuance (a)	305,583	303,884	305,583	303,884	10/15/2016 to 10/15/2019	CDI + 1.07% p.a.
Debentures - 7th issuance (a)	509,249	-	509,249	-	3/30/2016 to 9/30/2021	113.6% of CDI
Working capital and other (b)	152,529	187,013	401,563	416,938	5/23/2014 to 12/15/2019	Equivalent to CDI + 1.5% p.a.(*)
Fixed rate swap (c)	(3,084)	890	(5,450)	3,482	-	Swap - CDI for fixed rate
In foreign currency						
Foreign currency loans - US dollar (d)	369,596	348,381	369,596	348,381	8/17/2015 to 8/16/2017	108.4% and 114.7% of CDI
Total	**2,096,871**	**1,822,574**	**2,343,539**	**2,055,091**		
Current liabilities	**172,514**	**141,238**	**275,394**	**210,059**		
Non-current liabilities	**1,924,357**	**1,681,336**	**2,068,145**	**1,845,032**		

(*) R$ 93,712 of the total of R$ 401,563 was contracted as leasing by the wholly-owned subsidiary Localiza Fleet (formerly Total Fleet), with an average fixed rate of 10.28% p.a. (R$ 43,220, at the average rate of 9.58% p.a., at December 31, 2012).

The changes in loans, financing and debentures are as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2013	2012	2013	2012
Initial balance	**1,822,574**	**1,633,841**	**2,055,091**	**2,074,425**
Funding	498,530	303,588	608,842	425,909
Interest and financial charges	166,192	150,917	187,044	192,399
Repayment of principal	(258,218)	(123,508)	(349,941)	(450,509)
Interest amortization	(129,123)	(143,154)	(152,047)	(190,615)
Fixed rate swap	(3,084)	890	(5,450)	3,482
Final balance	**2,096,871**	**1,822,574**	**2,343,539**	**2,055,091**

The summary of main characteristics of loans, financing and debentures is as follows:

(a) Debentures

As of December 31, 2013, Localiza had five debentures issuances outstanding, all non-convertible into shares. Localiza debentures are subject to certain covenants, as described below: **(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)** Localiza capital decrease and/or repurchase of its own shares for cancellation, except if previously authorized by the debenture holders; **(iv)** incorporation, merger or spin-off of Localiza, except if under the terms of Article 231 of the Brazilian Corporate Law or if the spin-off portion or the company resulting from the amalgamation or merger remain in the current Controlling Group of the issuer; **(v)** lowering of the issuance rating by Standard & Poor's in two or more notches of the risk rating at national scale, in relation to the rating granted on the issuance date, of which: a) for the second issuance, in relation to the rating brAA- (BR, double A, negative); b) for the 4th issuance, in relation to the rating brAA- (BR, double A, negative); c) for the 5th issuance, in relation to the rating granted brAA (BR, double A); d) for the 6th issuance, if the issuer's corporate rating is lowered to brA+ (BR, A, positive), due to any change in shareholding structure that results in the loss, transfer or disposal of the Company's controlling power by current controllers and; e) for the 7th issuance, downgrading of any ratings granted by Moody´s, Standard&Poor´s or Fitch Ratings to the Issuer for the following levels of risk classification or lower, at national scale: Aa3, AA- and AA-, respectively; and **(vi)** non-maintenance of quarterly financial ratios, based on the Company's consolidated financial statements, as follows:

Net debt/ Adjusted EBITDA (*) (maximum limit)	**Adjusted EBITDA (*)/Net financial expenses (minimum limit)**	**Issuance**
3.25	2.00	Second issuance
4.00	1.50	Fourth, fifth, sixth and seventh issuances

(*) EBITDA means the issuer's net income or loss, on a consolidated basis, for the last 12-month period, before (i) financial expense (income), net; (ii) income tax and social contribution; (iii) depreciation and amortization expenses, for the fourth issuance. In the 2nd issuance, EBITDA is also adjusted by (i) non-operating expenses (income), net and (ii) non-controlling interests. In the 5th issuance, EBITDA is also adjusted by (i) stock option costs and (ii) non-recurring expenses. In the 6th and 7th issuances, EBITDA is also adjusted by (i) impairment.

Expenses incurred on the issuance of Localiza's debentures, including taxes, commissions and other costs, which totaled R$ 12,143, are classified under the same caption as the respective debentures and are recognized over the total debt period. As of December 31, 2013, the amount to be recognized was R$ 7,384, and was presented net in each respective debenture.

In addition, the Company has loans and financing that are subject to certain covenants, under conditions similar to those applicable to the debentures. As of December 31, 2013, management understands that the restrictive covenants applicable to loans, financing and debentures were being complied with.

The other characteristics of each issuance are as follows:

- Second issuance of Localiza Rent a Car S.A.

  On July 10, 2007, the Company recorded the issuance of 20,000 debentures at CVM, with net financial settlement of R$ 200,000 in July 2007. The funds were used for debt rescheduling. Debentures are simple, nonconvertible, registered, book-entry, single series, with par value of R$ 10 on the issuance date, July 2, 2007. Their term is seven years, with amortization on the 5th, 6th and 7th years and semiannual interest payments. No guarantee and/or collateral are pledged for this debenture issuance.

  These debentures are subject to total or partial early redemption, beginning as of the 36th month of the issuance date, with the payment of a 1% premium proportional to the period between the redemption date and final maturity, calculated according to the formula stipulated in the debentures indenture.

  In July 2013 and 2012, Localiza settled the first and second installments of this issuance of debentures, in the principal amount of R$ 66,600 each.

- Fourth issuance of Localiza Rent a Car S.A.

  The Company issued 370 debentures with financial settlement of R$ 370,000 on May 11, 2010. The funds will be used for investment in the fleet and to improve Localiza's working capital. Debentures are simple, non-convertible, registered and book-entry, with a floating guarantee, in two series, being the 1st series in the amount of R$ 240,000 and the 2nd series in the amount of R$ 130,000, with par value of R$ 1,000 on the issuance date, May 5, 2010. Their term is seven years, with amortization in six installments for the first series and four installments for the second series. Debentures will yield interest payable semiannually. No guarantee and/or collateral are pledged for this debenture issuance.

  This issuance is liable to an optional early redemption, at the sole discretion of Localiza, at any time beginning as of the issuance date, provided that the redemption occurs on a date that coincides with the payment date of remuneration or principal. The early redemption is subject to the payment of a 1.20% premium calculated on par value of debentures plus remuneration of the 1st or 2nd series, calculated on a pro rata temporis basis, beginning as of the last remuneration payment date until the effective redemption date.

  In May 2013, Localiza paid the second installment of the first series of this issuance of debentures, in the principal amount of R$ 24,000.

In October 2013, Localiza redeemed in advance the totality of the second series of this issuance.

- Fifth issuance of Localiza Rent a Car S.A.

  On May 30, 2011, the Company issued 50,000 debentures with a par value of R$ 10 each, totaling R$ 500,000, for settlement on June 10, 2011. About R$ 300,000 of the funds raised were used to settle in advance the debt maturing in 2011, as well as a portion of the debts maturing in 2012 and 2013. The remaining funds will be used for investments in the fleet and working capital purposes. Debentures are simple and unsecured, non-convertible into shares, registered and book-entry, issued in a single series. Debentures mature within six years, with repayment in two equal installments: the first maturing on May 30, 2016 and the second on May 30, 2017. Debentures will yield interest of 114.5% of the CDI (effective interest rate) payable semiannually. No guarantee and/or collateral are pledged for this debenture issuance.

  This issuance is subject to optional early redemption, wholly or partially, beginning May 29, 2013, at the sole discretion of Localiza, through the payment of the nominal amount, plus remuneration due up to the effective redemption date and premium of 0.30% adjusted over the remaining term, on the adjusted debt balance of the debentures.

- Sixth issuance of Localiza Rent a Car S.A.

  On October 15, 2012, the Company issued 30,000 debentures with a par value of R$ 10 each, totaling R$ 300,000, for settlement on October 31, 2012. The funds raised were used to settle in advance the debts of the Company and of its subsidiaries and for investment in the fleet. Debentures are simple and unsecured, non-convertible into shares, registered and book-entry, issued in a single series. The debentures mature within seven years, with repayment in four installments, at the following maturities and amounts: 10% on October 15, 2016, 10% on October 15, 2017, 40% on October 15, 2018 and 40% on October 15, 2019. The debentures will yield interest of 100% of the CDI plus spread of 0.95% p.a., payable semiannually. No guarantee and/or collateral are pledged for this debenture issuance.

  This issuance is subject to optional early redemption, wholly or partially, beginning October 15, 2014, at the sole discretion of Localiza, through the payment of the nominal amount, plus remuneration due up to the effective redemption date and premium of 0.20% adjusted over the remaining term, on the adjusted debt balance of the debentures, calculated according to the formula stipulated in the debentures' indenture. No premium will be payable if the early redemption occurs in the two last years of the debentures.

- Seventh issuance of Localiza Rent a Car S.A.

  On September 10, 2013, the Board of Directors approved the 7th issue of simple debentures of Localiza, non-convertible into shares and unsecured, in a single series, with additional Real Guarantee by the wholly-owned subsidiary Localiza Fleet S.A. (formerly Total Fleet S.A.). The 50,000 debentures have a par value of R$ 10 each on the issue date, totaling R$ 500,000. This issuance has certain early maturity date conditions equivalent to the terms already mentioned and financial covenants identical to those of the 4th, 5th and 6th issues. This

issuance pays semiannual interest and will be repaid according to the following schedule: R$ 37,500 semiannually from April 30, 2016 to October 30, 2019; and R$ 50,000 semiannually from April 2020 to October 2021.

Funds were released on October 9, 2013 and used to reinforce cash and settle in advance the following debts: i) R$ 30,000 - portion of loans maturing on 11/25/2013 and, ii) R$ 130,000 - total redemption of the 2nd tranche of the 4th issuance of debentures with final maturity in 2017 (annual payment of 30% in 2014/15 and 20% in 2016/17). The debenture holder waived the prepayment penalty, which would be R$ 1,600.

- First issuance of Localiza Fleet S.A. (formerly Total Fleet S.A.)

The wholly-owned subsidiary Localiza Fleet issued 40,000 debentures with net financial settlement of R$ 400,000 on September 30, 2009. The funds were used for working capital purposes, dividend distribution and settlement of outstanding balances arising from transactions with Localiza. The maturity is in six years, with repayment in four successive, equal installments, the first one due on September 30, 2012 and the last one due on September 30, 2015, and semiannual interest payments. This debenture issuance is collateralized by Localiza surety.

This issuance is subject to optional early redemption, at Localiza Fleet's sole discretion, as from the 36th month after the issuance date, on dates that coincide with the payment date of a remuneration or payment of principal. Accordingly, on June 29, 2012, Localiza Fleet settled in advance the second installment of its single issuance of debentures, originally maturing on September 30, 2013, in the principal amount of R$ 100,000. In September 2012, Localiza Fleet settled in advance the amount of R$ 200,000, originally maturing on September 28, 2014 and 2015, thus settling its debenture in full.

(b) Working capital and other

(i) Working capital

- On December 15, 2009, Localiza contracted a loan of R$ 150,000, with final maturity on November 23, 2015. The principal will be amortized in four installments, at the following maturities and amounts: R$ 15,000 on November 23, 2012, R$ 30,000 on November 23, 2013, R$ 45,000 on November 23, 2014 and R$ 60,000 on November 23, 2015. Interest is paid semiannually, on maturity and settlement. This transaction is collateralized by Localiza Fleet (formerly Total Fleet).

On December 29, 2011, Localiza settled in advance the first installment in the principal amount of R$ 15,000, without payment of premium. On October 9, 2013, Localiza settled in advance the installment of R$ 30,000, maturing on November 23, 2013, without payment of premium. The outstanding balance is R$ 104,705 at December 31, 2013.

- On June 21, 2010, Localiza contracted R$ 50,000 with final maturity on June 18, 2016 in this type of working capital loan. The principal will be amortized in four installments, at the following maturities and amounts: R$ 5,000 on June 18, 2013, R$ 10,000 on June 18, 2014, R$ 15,000 on June 18, 2015, and R$ 20,000 on June 18, 2016. Interest is paid semiannually, on maturity and settlement. This contract is collateralized by Localiza Fleet (formerly Total Fleet). On June 28, 2013, an installment of R$ 5,000 was settled. The remaining balance was R$ 44,575 at December 31, 2013.

- On December 29, 2011, Localiza Fleet (formerly Total Fleet) contracted a loan of R$ 130,000, with final maturity on December 15, 2019. The principal will be amortized in six installments, at the following maturities and amounts: R$ 13,000 on December 15, 2014, R$ 13,000 on December 15, 2015, R$ 7,000 on December 15, 2016, R$ 19,000 on December 15, 2017, R$ 26,000 on December 15, 2018 and R$ 52,000 on December 15, 2019. Interest is paid semiannually, on maturity and settlement. This transaction is collateralized by Localiza surety. The outstanding balance is R$ 127,687 at December 31, 2013.

The three transactions above are subject to certain covenants similar to covenants (i) and (ii) of Localiza's debentures.

(ii) Finance lease

As of December 31, 2013, Localiza and Localiza Fleet (formerly Total Fleet) had finance leases amounting to R$ 124,596, as mentioned in Note 23.

(c) Fixed rate swap

On June 15, 2012, Localiza Fleet (formerly Total Fleet) contracted a swap (plain vanilla) transaction. The contract establishes exchange between the counterparties of differential interest payments, semiannually, on the following dates: December 17, 2012, June 7, 2013, December 16, 2013, June 16, 2014 and December 15, 2014, when the contract ends.

The base amount used is R$ 130,000, the settlement amount guaranteed by the bank is 109.7% of CDI and the settlement amount guaranteed by Localiza Fleet (formerly Total Fleet) is 9.6% p.a.

On November 5, 2012, Localiza executed seven swap (plain vanilla) contracts establishing exchange between the counterparties of differential interest payments, in which Localiza is creditor for the 113.8% of CDI and debtor for the related rates. For further details, see Note 22(d).

In 2013, three contracts with a total notional amount of R$ 78,050 were terminated. The consolidated balance receivable from the outstanding contracts as of December 31 is R$ 5,450.

(d) Foreign currency loans

In order to reduce its loan costs and extend amortization terms, the Company contracts loans in foreign currency. As a strategy to manage foreign exchange rate risk, the Company simultaneously and mandatorily contracts swap transactions (plain vanilla) under identical conditions of amounts, terms and rates, exchanging the exposure from foreign exchange variation for CDI variation. Contracted swap transactions are solely for protection purposes, and their specific characteristics are set out in Note 22(d).

As of December 31, 2013, the Company had two foreign currency-denominated loan agreements:

- On June 29, 2010, Localiza contracted a loan of US$ 95,506, with principal and interest maturing on May 25, 2016. This amount was converted into Brazilian reais at the rate of R$ 1.78 for each US$ 1.00, resulting in funds of R$ 170,000. Simultaneously, a swap transaction (plain vanilla) was contracted to eliminate the foreign currency exposure risk, exchanging foreign exchange variation plus spread for 114.7% of CDI variation. The outstanding balance is R$ 245,206 as of December 31, 2013.

- On August 24, 2011, Localiza signed a loan agreement in the amount of US$ 75,000, equivalent to R$ 123,000, with settlement within six years; the related funds were released to Localiza in November 2011. Simultaneously, beginning on the same date of the release of funds, a swap transaction (plain vanilla) was contracted to eliminate the foreign currency exposure risk, under identical conditions of amounts, term and rate, exchanging foreign exchange variation plus interest (three-month LIBOR + 1.6% per annum) for 102.5% of CDI variation. The outstanding balance is R$ 124,390 as of December 31, 2013.

Both transactions are matched, which formally consist, each one of them, of a loan agreement and a swap transaction contract, with the same maturity and counterparty and that should be simultaneously settled by a single net value. Accordingly, management understands that, in essence, each transaction is a loan denominated in local currency plus a determined interest rate. Therefore, the accounting treatment and respective disclosures reflect the substance of the transactions.

Considering the description above, the Company and its subsidiaries are not subject to the risk of change in foreign exchange rates. Accordingly, there are no risks of change in foreign exchange rates to be measured by the sensitivity analysis, as its indebtedness is only exposed to CDI variation.

Collateral signatures of Localiza Fleet (formerly Total Fleet) were pledged for these transactions and they apply to certain events of accelerated maturities. The loan agreements on June 29, 2010 and August 24, 2011 have certain events of early maturity under conditions similar to those of the fourth and fifth issuance of debentures of Localiza, respectively.

13. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Accounts payable and equity deficit of subsidiaries (Note 7(b) (item i))	772	8,938	-	-
Other federal taxes	8,750	3,968	11,644	6,978
Municipal tax obligations	1,009	1,682	1,879	2,357
Advances from rental customers	19,601	17,637	21,539	20,055
Insurance premiums for transfer (*)	34,166	29,640	34,344	29,819
Deferred revenues (**)	36	33	6,840	4,045
Other	2,166	6,144	2,318	6,821
Total other current liabilities	**66,500**	**68,042**	**78,564**	**70,075**
Deferred revenues (**)	82	101	15,346	11,931
Other	10,171	13,947	14,115	18,050
Total other non-current liabilities	**10,253**	**14,048**	**29,461**	**29,981**
Total current and non-current liabilities	**76,753**	**82,090**	**108,025**	**100,056**

(*) Premiums received from customers that contracted insurance for rented cars and that are transferred by Localiza to the insurance company (Note 2.7.11).
(**) 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 statement of income during the contract terms (usually 60 months).

14. PROVISION AND ESCROW DEPOSITS

(a) Provision and contingent liabilities

(i) Recognized judicial provision

Localiza and its subsidiaries are challenging in court some civil, tax (including taxes, contributions and other), social security and labor lawsuits. Provisions were recorded and their payment flows, should they occur, are uncertain and the risk of loss is probable, according to the Company's legal counsel.

During 2013, there were changes in the provisions for labor and civil contingencies, as shown in the table below:

	Individual (BR GAAP)				
	Tax	Social security	Labor	Civil	Total
As of December 31, 2012	**2,163**	**6,277**	**13,040**	**5,007**	**26,487**
Recording of provisions, net of reversals	295	755	10,282	7,601	18,933
Payments	-	(219)	(2,285)	(4,669)	(7,173)
Inflation adjustment, net	1,068	296	-	-	1,364
As of December 31, 2013	**3,526**	**7,109**	**21,037**	**7,939**	**39,611**

	Consolidated (IFRS and BR GAAP)				
	Tax	Social security	Labor	Civil	Total
As of December 31, 2012	**3,912**	**6,825**	**16,797**	**7,633**	**35,167**
Recording of provisions, net of reversals	695	861	12,389	7,593	21,538
Payments	-	(219)	(2,285)	(4,710)	(7,214)
Inflation adjustment, net	1,068	374	-	-	1,442
As of December 31, 2013	**5,675**	**7,841**	**26,901**	**10,516**	**50,933**

The summary of the main administrative and legal proceedings, at several stages, both in lower and higher courts, in the year, is as follows:

Labor:

- Localiza and its subsidiaries are parties to several labor claims mainly related to the payment of overtime and related charges, pain and suffering and the possible recognition of the employment relationship of service providers, contractors and similar workers. Judges' decisions on these matters are not uniform. The variation in the provisions for labor claims is mainly due to: (i) the increase in the number of proceedings from 512 as of December 31, 2012 to 604 as of December 31, 2013; and (ii) new public civil suits mainly discussing the irregularity verified in the working hours of employees, which generated a provision of R$ 1,250.

Civil:

- As of December 31, 2013, Localiza and its subsidiary are parties to civil claims related to: (a) indemnity claims arising from damages to third parties in traffic accidents caused by customers driving cars rented from the Company. Although not being responsible for the accidents, the Company is sued several times for being the owner of the car; (b) indemnity claims arising from the relations between the Company and the consumers.

The consolidated amounts accrued as of December 31, 2013, in the amount of R$ 10,516, refer to 982 lawsuits whose likelihood of loss the Company assesses as probable, including the situations in which the likelihood of refunding is remote due to the contract right of recourse. There are still 33 proceedings, whose original amounts totaled R$ 1,864, which were not provided for since the risk of an unfavorable outcome is possible.

Social security:

- Localiza and its subsidiaries are parties to several social security lawsuits, mainly related to: (i) indemnity amounts, ii) education allowance, INCRA on the payment of independent contractors and labor claims, and iii) Social Security Adjustment Factor (FAP). There are law abridgements and court decisions that support the Company's position. These lawsuits are collateralized by bank guarantees totaling R$ 12,476 and escrow deposits totaling R$ 957 as of December 31, 2013 (R$ 14,340 in guarantees and deposits as of December 31, 2012).

Also based on the opinion of its legal counsel, the Company's management does not believe that the settlement of these disputes will have a substantially impact on its equity position. The Company believes that the provision recognized referring to probable loss and legal obligation risks is sufficient to cover the risks.

(ii) Contingent liabilities in progress - not provisioned, as the likelihood of loss is possible or remote

- Localiza and its wholly-owned subsidiary Localiza Fleet (formerly Total Fleet) are parties to administrative and legal lawsuits referring basically to the levy of ICMS (state VAT) on transfers of cars from its fixed asset between its branches, as well as on the sale of decommissioned cars from the rental activity. Localiza and its wholly-owned subsidiary Localiza Fleet (formerly Total Fleet) do not recognize a provision to cover these challenges as the likelihood of loss is remote, as estimated by its legal counsel, which bases its opinion on prior court decisions, among which is Abstract 166. In some lawsuits, the Company presents bank guarantees to suspend the Revenue Service tax credit, in the amount of R$ 16,097, and escrow deposits, amounting to R$ 153 as of December 31, 2013 (R$ 21,230 in deposits and guarantee as of December 31, 2012).

- On July 7, 2006, Confaz issued Arrangement 64, providing for the levy of ICMS on disposal of cars within 12 months of acquisition. This Arrangement was ratified by the Federation States, except for São Paulo and Santa Catarina. In some states, Localiza is discussing in court the legality of this rule and has obtained injunctions and favorable decisions, and also obtained final and unappealable favorable decisions in certain Brazilian states. Legal advisors, based on prior favorable decisions, classify the likelihood of loss as remote and, therefore, no provision was recognized as it is not a legal obligation.

- Localiza received several tax assessment notices referring basically to the levy of ISS - tax on services, on fuel refunds charged from and discounts granted to customers. Localiza does not recognize a provision to cover these challenges as its legal counsel, based on prior court decisions, estimates the likelihood of loss as remote. In some lawsuits, Localiza presented bank guarantees to suspend the Revenue Service tax credit, in the amount of R$ 11,585, or

made escrow deposits, amounting to R$ 3,736 as of December 31, 2013 (R$ 7,870 in deposits and guarantee as of December 31, 2012).

- Localiza and its subsidiaries are parties to several social security lawsuits challenging mainly the non-payment of certain social security contributions related to amounts paid as private pension plans, life insurance, and profit sharing, among others, in the total non-accrued amount of R$ 14,922. The legal counsel, based on the jurisprudence and prior favorable decisions, assesses the likelihood of loss as remote and, therefore, no provision was recognized as it is not a legal obligation.

- Localiza and its wholly-owned subsidiary Localiza Fleet (formerly Total Fleet) are parties to several lawsuits challenging the payment of the Tax on Vehicles (IPVA) in the State of São Paulo, based on State Law 13,296/2008. The Company and its wholly-owned subsidiary Localiza Fleet have their tax domicile in Belo Horizonte, State of Minas Gerais, where their headquarters are located, and, in compliance with Article 120 of the National Traffic Code, their vehicles are registered in that city and the IPVA is paid to the State of Minas Gerais. The Company does not recognize a provision regarding these challenges as the likelihood of loss is only possible, according to the legal advisors, on the basis of the legal and constitutional provisions that govern the IPVA (articles 155, III and 158, III, of CF/88 and articles 120 of CTB, 75, IV and § 1 of the Civil Code, 110 and 127 of CTN). These lawsuits are collateralized by bank guarantees totaling R$ 8,039 and escrow deposits of R$ 11,919 as of December 31, 2013 (R$ 7,398 in guarantees and deposits as of December 31, 2012).

(b) Escrow deposits

Localiza and its subsidiaries have escrow deposits linked to lawsuits. Changes in escrow deposit balances, segregated by nature, are as follows:

	Individual (BR GAAP)				
	Tax	**Social security**	**Labor**	**Civil**	**Total**
As of December 31, 2012	**9,218**	**5,118**	**3,178**	**2,136**	**19,650**
Recognized escrow deposits, net of write-offs	2,691	(2,523)	2,171	72	2,411
Inflation adjustment, net	3,271	(1,457)	-	217	2,031
As of December 31, 2013	**15,180**	**1,138**	**5,349**	**2,425**	**24,092**

	Consolidated (IFRS and BR GAAP)				
	Tax	**Social security**	**Labor**	**Civil**	**Total**
As of December 31, 2012	**11,133**	**5,118**	**4,605**	**2,186**	**23,042**
Recognized escrow deposits, net of write-offs	11,832	(2,523)	3,271	146	12,726
Inflation adjustment, net	3,535	(1,457)	-	230	2,308
As of December 31, 2013	**26,500**	**1,138**	**7,876**	**2,562**	**38,076**

During 2013, Localiza and its wholly-owned subsidiary Localiza Fleet (formerly Total Fleet) recorded escrow deposits totaling R$ 11,400, regarding proceedings challenging the payment of the Tax on Vehicles (IPVA) in the State of São Paulo. The objective of the aforementioned deposits is to suspend the enforceability of the tax credit and permit the changeling of the collection, since the IPVA of the Company's vehicles is paid in the State of Minas Gerais, which is the location of its headquarters and tax domicile, based on articles 155, III and 158, III, of CF/88 and articles 120 of CTB, 75, IV and paragraph 1 of the Civil Code, 110 and 127 of CTN.

15. TAXES ON INCOME - INCOME TAX AND SOCIAL CONTRIBUTION

Law 11,941/09, in addition to amending Law 6,404/76, created the Transition Tax Regime (RTT) to calculate taxes on income and revenue, which was optional for calendar years 2008 and 2009 and mandatory for calendars from 2010. Localiza and its wholly-owned subsidiary Localiza Fleet (formerly Total Fleet) opted for the RTT which determines that accounting methods and criteria should be maintained for tax purposes, as when they used in Brazilian Corporate Law prevailing through December 31, 2007.

Provisional Measure 627 ("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 Regime (RTT), introduced by Law 11,941, of May 27, 2009; discuss the taxation of legal entities domiciled in Brazil, in relation to the increase in equity due to earnings obtained abroad arising from investments in subsidiaries and associates, and the earnings obtained by individuals resident in Brazil through a subsidiary abroad. The MP does not have retroactive effects and, if it is converted into Law, it will be effective as from January 1, 2015. The legal entities may opt for the adoption of the provisions in articles 1 to 66 of this Provisional Measure for calendar year 2014. As of December 31, 2013, the Company assessed the effects and application of this Provisional Measure with its legal advisors, and does not estimate significant effects on its financial statements. The adoption of the MP for calendar year 2014 is still being discussed.

Up to the publication of this balance sheet, the Provisional Measure had not yet been converted into Law, therefore, it is possible that other changes, inclusions and/or exclusions will be made to the original text proposed, which will require in a new review by the Company.

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

The breakdown of deferred income tax and social contribution as of December 31, 2013 and 2012, is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Temporary differences in the deductibility of provision:				
Provision for payables to suppliers and others	1,776	1,044	2,198	3,073
Provision for litigation	12,893	8,761	13,974	9,858
Allowance for doubtful accounts	2,688	1,144	5,482	1,414
Swap transactions with payments on a cash basis	10,676	9,255	10,676	10,136
Tax loss carry-forwards	-	-	29	29
Total deferred income tax and social contribution assets - non-current	**28,033**	**20,204**	**32,359**	**24,510**
Cars depreciation (*)	57,232	45,695	86,969	72,579
Leasing of the purchase of property and equipment	1,423	1,131	24,826	4,228
Total deferred income tax and social contribution liabilities - non-current	**58,655**	**46,826**	**111,795**	**76,807**

(*) 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 wholly-owned subsidiary Localiza Fleet (formerly Total Fleet) continue to calculate, for tax purposes, car depreciation expenses using the depreciation criteria used on December 31, 2007. Temporary differences are realized at the end of the useful lives of cars, when they are written off.

The realization of 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.

(b) Reconciliation of income tax and social contribution expenses at nominal and effective rates

The reconciliation between nominal and effective rates for the years ended December 31, 2013 and 2012 is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2013	2012	2013	2012
Pre-tax income	439,052	254,752	541,503	327,126
Nominal rate	34%	34%	34%	34%
Nominal expense	**(149,278)**	**(86,616)**	**(184,111)**	**(111,223)**
Adjustments to nominal expense:				
Equity in subsidiaries	75,100	54,145	-	-
Effect of the deduction of interest on capital	20,873	20,625	20,873	20,625
Income tax and social contribution owned by subsidiaries (deemed income regime)	-	-	8,313	6,459
Other, net	(1,403)	(1,970)	(2,234)	(2,051)
Effective expense	**(54,708)**	**(13,816)**	**(157,159)**	**(86,190)**
Current income tax and social contribution	**(50,708)**	**(29,039)**	**(130,020)**	**(106,484)**
Deferred income tax and social contribution	**(4,000)**	**15,223**	**(27,139)**	**20,294**

(c) Income tax and social contribution payable

The outstanding balance payable as of December 31, 2013 and 2012 is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Income tax and social contribution payable	16,630	8,399	35,238	26,035

Localiza, Localiza Fleet (formerly Total Fleet), Prime and Localiza JF calculated income tax and social contribution under the taxable income method and the quarterly taxation regime as of December 31, 2013 and 2012.

Franchising Brasil, Car Rental and Car Assistance calculated, through December 31, 2013, income tax and social contribution under the deemed income regime in the amounts of R$ 2,612 (R$ 2,274 as of December 31, 2012), R$ 2,768 (R$ 1,912 as of December 31, 2012) and R$ 2,360 (R$ 1,918 as of December 31, 2012), respectively.

The Company's income tax returns are open to review by tax authorities for a period of five years. Other taxes, fees and contributions are also subject to the same conditions, according to applicable legislation.

16. SHAREHOLDERS' EQUITY

(a) Capital

The Extraordinary General Meeting held on April 29, 2013 approved the Company's capital increase of R$ 375,000, from R$ 601,708 to R$ 976,708, with the issue of 10,085,400 new common shares, equivalent to 5% of the Company's share capital. The shares without par value, were distributed to the shareholders, at no charge, as a stock dividend, under the terms of article 169 of Law 6,404/76, in the proportion of 1 new share per each 20 shares. With this increase, the total shares of the Company increased from 201,708,000 to 211,793,400. The capital increase was made through the capitalization of part of the balance of earnings reserves, specifically the statutory reserve.

The stock dividend approved at the meeting held on April 29, 2013 was credited on May 7, 2013 to all stockholders of record on April 30, 2013.

The shareholdings as of December 31, 2013 and December 31, 2012, and the related reconciliation of the number of outstanding shares after the approved capital increase were as follows:

	Management				
	Founder-partners	Board of Directors and Board of Executive Officers	Treasury shares	Outstanding shares	Number of shares - ON
Balance as of December 31, 2012	**61,926,254**	**200,837**	**3,158,349**	**136,422,560**	**201,708,000**
Acquisition (sale) of shares, net	(3,348,232)	(53,690)	1,072,200	2,329,722	-
Stock options exercised using treasury shares	200,263	85,542	(629,712)	343,907	-
Stock dividend	3,096,308	10,381	157,740	6,820,971	10,085,400
Balance as of December 31, 2013	**61,874,593**	**243,070**	**3,758,577**	**145,917,160**	**211,793,400**

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"). The ADR Level I Program did not result in capital increase or issuance of new shares, and aims at increasing the access of foreign investors to the Company, as well as to increase share liquidity. The Program was approved by CVM - Brazilian Security Exchange Commission - on May 22, 2012 and trading began on June 5, 2012. As of December 31, 2013, the Company's position was 881,087 ADRs in the United States.

(b) Interest on capital and dividends

The Company adopts the policy of distributing interest on capital and dividends equivalent to 25% of the adjusted net income.

Interest on capital and dividends was calculated as follows:

	Individual (BR GAAP)	
	2013	2012
Net income	384,344	240,936
Legal reserve (5%)	(19,215)	(12,047)
Adjusted net income - basis for dividends proposal	365,129	228,889
Minimum dividends (25%)	**91,282**	**57,222**
Proposed/distributed dividends and interest on capital:		
Dividends	38,612	5,143
Interest on capital	61,390	60,661
Subtotal	**100,002**	**65,804**
Withholding income tax on interest on capital	(8,720)	(8,582)
Total	**91,282**	**57,222**
Percentage on adjusted net income for the year	25.0%	25.0%
Dividends and interest on capital per share, net of treasury shares	**R$ 0.439**	**R$ 0.288**

i) Interest on capital

The Company pays, on a quarterly basis, interest on capital to shareholders, as described in Note 2.7.15. The Board of Directors' meetings decided to pay interest on capital as follows:

2012				
Date of approval	**Total amount paid**	**Amount per share (in R$)**	**Shareholding position date**	**Date of payment**
3/7/2012	14,417	0.072981	3/15/2012	5/3/2012
6/21/2012	15,436	0.077831	6/29/2012	8/17/2012
9/20/2012	14,956	0.075351	9/28/2012	11/14/2012
12/18/2012	15,852	0.079835	12/28/2012	2/8/2013
Total 2012	**60,661**			

2013				
Date of approval	**Total amount paid**	**Amount per share (in R$)**	**Shareholding position date**	**Date of payment**
3/8/2013	14,567	0.073363	3/20/2013	5/3/2013
6/20/2013	15,468	0.074410	6/28/2013	8/14/2013
9/30/2013	14,552	0.069968	9/30/2013	11/14/2013
12/18/2013	(*)16,803	0.080766	12/30/2013	2/10/2014
Total 2013	**61,390**			

(*) As of December 31, 2013 this interest on capital had not been paid to shareholders.

(ii) Dividends

At the Ordinary General Meeting of April 29, 2013, the shareholders approved the allocation of R$ 5,143 for the payment of dividends to the shareholders to complement the mandatory dividend of 25% on the net income for 2012.

At the Meeting of October 24, 2013, the Board of Directors authorized, under the Company's bylaws, the payment to the shareholders of extraordinary dividends of R$ 250,000, which correspond to the balance of earnings retention and a portion of the statutory reserve balance. The payment occurred in November 2013 to all the shareholders included in the Company's shareholding position on October 31, 2013. The amount per share is equivalent to R$ 1.201998.

As of December 31, 2013, Management proposed the approval at the Annual Shareholders' Meeting of the allocation of the amount of R$ 38,612 for payment of dividends to shareholders to complete the dividend of 25% of net income, considering the payment of interest on capital net of withholding income tax.

(iii) Dividends and interest on capital payable

The balance of dividends and interest on capital payable is as follows:

	Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	12/31/2013	**12/31/2012**
Dividends on net income for the year	38,612	5,143
Interest on capital	16,803	15,852
Withholding income tax (IRRF) on interest on capital	(2,339)	(2,336)
Total dividends and interest on capital payable	**53,076**	**18,659**

(c) Capital reserve

As of December 31, 2013 and 2012, the balance of the capital reserves is as follows:

	Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	12/31/2013	**12/31/2012**
Options granted	15,428	14,294
Goodwill on share subscription	77,636	66,375
Total capital reserves	**93,064**	**80,669**

(i) Options granted

The reserve used to sponsor the Stock Option Plan is as described below:

Stock Option Plan - Consolidated Information

The Company currently maintains seven Stock Option Plans within the scope of the Company's Repurchase Programs, which grant common share subscription options to some (eligible) executives and employees. To be eligible, executives and employees should comply with minimum requirements of: i) length of services provided to Localiza, or one of its subsidiaries, varying from one to two years, and ii) performance in exercising their duties.

Under the second Plan, the 2007 to 2011 Stock Option Plans were divided into four annual tranches, and the number of options per tranche is 25% of total options granted in each of the programs. This plan, approved at the Extraordinary General Meeting of April 26, 2006, was offered to the eligible employees and statutory officers, except for the members of the Board of Directors.

Under the third Plan, the 2012 and 2013 programs were created and will have only one tranche as from the date of maturity. The vesting period for the eligible employee to acquire the right to exercise the option is from three to six years and the share purchase option may be exercised at any time beginning as of the right acquisition date up to the option exercise limit date. The statutory officers, statutory officers (contracted under the Brazilian Labor Code (CLT)), directors and the top management are eligible to this plan. The Company defined the ratio of 4 options granted for each share invested by the executive. The amount invested for the participation in this program is 25% to 50% of the profit sharing of those eligible for directors and top management contracted under the CLT. For the statutory officers that were not contracted under the CLT, the investment will be from 15% to 30% of the net amount received as annual remuneration.

For all the aforementioned programs, the fair value of shares is estimated on the grant date, based on the Black & Scholes share valuation model, applied separately to each tranche of each program.

The value of the share, which is to be acquired by the beneficiaries when exercising the option, was calculated based on the average quotation of the RENT3, weighted by the volume traded over the last 40 trading sessions of the BM&FBovespa before the date of payment of the profit sharing.

According to the Board of Directors' Meeting held on October 24, 2013, due to the capital increase with stock dividends, approved at the Extraordinary General Meeting held on April 29, 2013, the Board of Directors approved the decrease of 5% in the exercise price, and the increase of 5% in the number of options, in accordance with clauses 17 and 15 of the Second and Third Stock Option Plans, approved at the Extraordinary General Meetings held on April 26, 2006 and April 25, 2011, respectively.

Stock option programs approved in the Board of Directors' meetings have the following characteristics:

	Programs						
	2013	2012	2011	2010	2009	2008	2007
	3rd Plan		2nd Plan				
Approval meeting date	4/24/2013	7/19/2012	4/28/2011	5/20/2010	9/15/2009	7/30/2008	3/9/2007
Number of granted/approved options	412,228	616,484	1,022,913	970,493	1,038,224	900,000	900,000
Number of eligible employees	16	18	499	413	357	293	277
Number of options per tranche	412,228	616,484	255,728	242,623	259,556	225,000	225,000
Number of tranches	1	1	4	4	4	4	4
First tranche exercise year (*)	2016	2015	2014	2013	2012	2011	2010
Limit date to exercise the options	May/16	May/15	Apr/18	Apr/17	Apr/16	Apr/15	Apr/14

(*) Other tranches may be exercised annually, beginning as of the first tranche date, except for the 2012 and 2013 programs which have only one tranche.

Changes in the seven Stock Option Plans through December 31, 2013, including the effects of stock dividends, are as follows:

	Beginning of the period		Granting/Approvals			Terminations		Exercise		End of the period	
Year	Eligible employees	Options	Eligible employees	Options granted / approved	Exercise price	Terminated eligible employees	Returned options	Options exercised	Stock dividend	Eligible employees	Existing options
2007 Program											
12/31/2012	193	719,817	-	-	(*)	8	12,924	452,717	-	185	254,176
12/31/2013	185	254,176	-	-	(*)	3	3,162	152,810	6,477	182	104,681
2008 Program											
12/31/2012	235	797,663	-	-	(*)	11	19,490	334,647	-	224	443,526
12/31/2013	224	443,526	-	-	(*)	10	10,326	154,245	14,825	214	293,780
2009 Program											
12/31/2012	295	909,839	-	-	(*)	15	21,147	188,825	-	280	699,867
12/31/2013	280	699,867	-	-	(*)	18	19,092	174,200	25,975	262	532,550
2010 Program											
12/31/2012	355	905,344	-	-	(*)	25	22,608	48,642	-	330	834,094
12/31/2013	330	834,094	-	-	(*)	32	29,088	148,457	33,498	298	690,047
2011 Program											
12/31/2012	467	1,008,515	-	-	(*)	37	28,849	-	-	430	979,666
12/31/2013	430	979,666	-	-	(*)	44	27,893	-	46,158	386	997,931
2012 Program											
12/31/2012	-	-	18	616,484	31.70	-	-	-	-	18	616,484
12/31/2013	18	616,484	-	-	-	-	6,228		30,788	18	641,044
2013 Program											
12/31/2013	16	412,228	16	412,228	32.59	-	-	-	-	16	412,228

(*) The table below summarizes the predetermined exercise price of the share purchase options for each annual tranche based on the share market value at the end of the year prior to the granting date, plus estimated projected annual inflation, including the effect of stock dividends, and exercise amounts are fixed beginning as of April each year.

Program	2010	2011	2012	2013	2014	2015	2016	2017
2007	23.76	24.71	25.70	25.46	-	-	-	-
2008	-	22.77	23.74	23.58	24.59	-	-	-
2009	-	-	8.35	8.30	8.69	9.08	-	-
2010	-	-	-	22.05	23.04	24.05	25.16	-
2011	-	-	-	-	32.62	34.09	35.62	37.22
2012	-	-	-	-	-	31.70	-	-
2013	-	-	-	-	-	-	32.59	-

The options from the first, second, third and fourth lots of the 2007 Program are released from April 1, 2010, 2011, 2012 and 2013, respectively, and may be exercised through March 30, 2014. The options from the first, second and third lots of the 2008 Program are released from April 1, 2011, 2012 and 2013, respectively, and may be exercised through March 30, 2015. The options from the first and second lots of the 2009 Program are released from April 1, 2012 and 2013, and may be exercised through March 30, 2016. The options from the first lot of the 2010 Program are released from April 1, 2013 and may be exercised through March 30, 2017. All other options had not vested as of December 31, 2013.

In 2012 and 2013, stock options relating to the 2009 and 2010 Stock Option Plans which, although not vested, were exercisable in the case of employee retirement.

As of December 31, 2013 the following weighted average assumptions were used to calculate the fair value of each of the tranches of these Stock Option Plans:

	Programs						
	2013	2012	2011	2010	2009	2008	2007
	3rd Plan		2nd Plan				
Share price	34.22	33.36	26.46	23.99	17.70	5.70	19.68
Risk-free interest rate	9.00%	9.45%	10.21%	10.04%	9.69%	10.93%	8.67%
Expected annualized volatility (*)	46.67%	48.49%	50.12%	52.34%	55.01%	56.63%	37.60%
Expected dividends	0.36%	0.39%	0.39%	0.42%	0.45%	0.46%	-
Duration of the program in years	3.0	3.0	4.4	4.2	4.0	3.8	4.5
Option fair value on grant date (R$/share)	12.94	12.82	11.12	12.10	12.21	0.88	7.09

(*) The expected annualized volatility was determined based on the historical volatility of RENT3 shares in the capital market since the listing of Localiza's shares in 2005, less dividends paid in each period.

In 2013, the consolidated cost arising from these 6 programs was R$ 6,125 (R$ 7,136 in 2012), with R$ 4,605 referring to employees of the Company and R$ 1,520 referring to the subsidiaries' employees.

Considering the exercise of the options existing as of December 31, 2013, the interest dilution percentage to which current shareholders may be subject is 1.7%.

(ii) Options exercised in 2013

Up to December 31, 2013, 629,712 stock options in relation to the 2007 to 2010 Stock Option Plans were exercised. The weighted average strike prices of options exercised, as well as the weighted average fair value of Localiza's shares on the vesting date, were as follows:

Program	Number of options exercised	Fair value	Calculation by the fair value	Weighted average exercise price	Weighted average market price
2007 Program	152,810	7.09	1,221	R$ 25.46	R$ 33.06
2008 Program	154,245	0.88	149	R$ 23.58	R$ 33.28
2009 Program	174,200	12.21	2,082	R$ 8.30	R$ 33.04
2010 Program	148,457	12.10	1,539	R$ 22.05	R$ 33.15
Total	**629,712**		**4,991**		

All options were exercised using treasury shares, and therefore it was not necessary to issue new shares.

(iii) Goodwill on share subscription

Reserve relating to the remaining balance of goodwill from the primary 2006 offering of Localiza shares in the amount of R$ 48,174. In addition, upon the exercise of 629,712 stock options during 2013, relating to the 2007 to 2010 programs, a goodwill in the amount of R$ 11,261 (R$ 17,760 in 2012 and R$ 441 in 2011) was generated, resulting in the balance of R$ 77,636 as of December 31, 2013.

(d) Treasury shares

As of December 31, 2013, the number of treasury shares was 3,758,577 shares (3,158,349 as of December 31, 2012), acquired in accordance with the 1st and 4th repurchase programs approved at the Board of Directors' meetings held on December 18, 2007 and July 19, 2012, respectively.

The remaining balance of treasury shares as of December 31, 2013 is R$ 62,884 (R$ 32,602 at December 31, 2012).

As of December 31, 2013, the market value of the 3,758,577 treasury shares was R$ 124,785 (value of R$ 33.20 per share as of December 31, 2013). The cost of acquisition of the treasury shares, including related costs, was as follows:

First Share Buyback Program: R$ 26,102, net of realizations of R$ 6,500 and an average unit cost of R$ 10.32 (minimum R$ 5.15 and maximum R$ 16.55).

Fourth Share Buyback Program*:* up to December 31, 2013, under the fourth Share Buyback Program, 1,072,200 shares were acquired (1,093,310 shares including stock dividend), totaling a cost of R$ 36,782. The average unit cost is R$ 33.64 (minimum of R$ 33.52 and maximum of R$ 33.78). This buyback was based on the approval of the Board of Directors of July 19, 2012 regarding the acquisition of up to 8,447,000 shares to be held in treasury and subsequently sale or use in the stock option program without any capital reduction. The deadline for the completion of the transaction was July 18, 2013.

As of July 25, 2013, the Board of Directors authorized the 5th repurchase program up to 9,038,000 shares of the Company, for a period of 365 days from that date. The conditions are the same as the 4th program and no action was acquired until December 31, 2013.

(e) Reserves and earnings retention

As of December 31, 2013 and 2012, the balance of reserves and earnings retention is as follows:

	Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012
Legal reserve	59,508	40,293
Statutory reserve	274,812	471,484
Earnings retention	-	163,201
Total reserves and earnings retention	**334,320**	**674,978**

(i) Legal reserve

Reserve recognized as prescribed by the Brazilian Corporate Law, through the allocation of 5% of the net income, limited to: i) 20% of the capital or ii) when the balance of such reserve plus the capital reserves reaches 30% of the capital. The objective of the legal reserve is to ensure the integrity of capital and can only be utilized to offset losses or increase capital. As of December 31, 2013 and 2012, R$ 19,215 and R$ 12,047 were recognized as legal reserve, respectively.

(ii) Statutory reserve and earnings retention

According to item (f), paragraph 2 of Article 24 of Localiza's bylaws, a portion consisting of up to 100% of income remaining after the legal and statutory deductions may be allocated to "reserve for investments", which is intended to finance investments for renewal and expansion of the Company's and its subsidiaries' fleet. This reserve may not exceed the lower between the following amounts: (i) 80% of capital; or (ii) the amount that, added to the amounts of other earnings reserves, except for unrealized profit reserves and reserve for contingencies, does not exceed the amount of 100% of the Company's capital.

At the Meeting of October 24, 2013, the Board of Directors authorized, under the Company's bylaws, the use of the balance of earnings retention of R$ 163,201 and a portion of the balance of the statutory reserve in the amount of R$ 86,799, totaling R$ 250,000, to be paid to the shareholders as extraordinary dividends.

As of December 31, 2013, the Board proposed for approval at the Ordinary General Meeting, the allocation of retained earnings of 2013, in the amount of R$ 265,127, for the recording of the statutory reserve, according to item (f) of paragraph 2 of article 24 of the Company's bylaws.

17. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing net income for the year assigned to the Company's common shareholders by the weighted average number of common shares available during the year, less treasury shares.

The diluted earnings per share is calculated by dividing net income assigned to the Company's common shareholders by the weighted average number of common shares available during the year, plus the weighted average number of common shares that would be issued assuming that stock options would be exercised at an amount lower than market value, less treasury shares.

The table below shows net income 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:

	Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	2013	**2012**
Net income	**384,344**	**240,936**
Basic earnings per share (*):		
Weighted average outstanding shares (in units)	201,979,765	198,215,873
Basic earnings per share (in R$)	**1.90288**	**1.21552**
Diluted earnings per share (*):		
Weighted average outstanding shares (in units)	201,979,765	198,215,873
Dilutive effect of share purchase options (in units)	773,452	949,447
Total of shares applicable to dilution (in units)	202,753,217	199,165,320
Diluted earnings per share (in R$)	**1.89562**	**1.20973**

(*) 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.

18. SEGMENT REPORTING

Operating segments are defined as the components that develop business activities: i) which may obtain revenues and incur expenses; ii) whose operating income/expenses are regularly reviewed by the main operating manager to make decisions on funds to be allocated to the segment and to evaluate its performance; and iii) for which there is individual financial information available.

The Company defined operating segments based on reports used by the Board of Directors to make strategic decisions. Three operating segments subject to information disclosure were identified, which are separately managed using reports that support the decision-making process. These operating segments' accounting policies are the same as those described in Note 2.

- Car rental: division responsible for car rentals in branches located inside and outside airports. Cars are rented to individuals in business or leisure travel and to corporations, including insurance companies and car makers. Cars are standardized and acquired to meet the expected demand. 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 are sold directly to the final consumer, by means of an owned network of points for sale, since this is the less expensive alternative in relation to the discounts requested by other sales intermediation channels.

- Fleet rental: division responsible for fleet management to corporations for long-term periods, generally from 24 to 36 months. The cars are acquired after the signature of the contracts according to the need of each customer. The Fleet Rental Division decommissions its cars at the end of the contract. Decommissioned cars are sold to the final consumers by means of an owned network of points of sale and car dealers.

- Franchising: division responsible for the management and granting the right of using Localiza brand's, 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)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Assets												
Cash and cash equivalents	-	-	-	-	-	-	1,010,740	823,866	-	-	1,010,740	823,866
Trade accounts receivable	346,312	297,345	65,661	61,863	13,644	9,214	-	-	(10,212)	(3,284)	415,405	365,138
Decommissioned cars for fleet renewal	119	26	16,401	13,251	-	-	-	-	-	-	16,520	13,277
Property and equipment	2,063,304	1,836,479	884,046	868,592	124	158	-	-	-	-	2,947,474	2,705,229
Other assets	224,781	168,222	21,242	11,817	4,069	3,446	-	-	(62,031)	(45,087)	188,061	138,398
Total assets	**2,634,516**	**2,302,072**	**987,350**	**955,523**	**17,837**	**12,818**	**1,010,740**	**823,866**	**(72,243)**	**(48,371)**	**4,578,200**	**4,045,908**
Liabilities												
Trade accounts payable	392,268	305,539	77,712	53,131	415	791	-	-	(9,913)	(3,309)	460,482	356,152
Loans, financing and debentures	-	-	-	-	-	-	2,343,539	2,055,091	-	-	2,343,539	2,055,091
Other liabilities	334,099	248,979	137,036	95,142	24,636	18,060	-	-	(62,800)	(52,269)	432,971	309,912
Total liabilities	**726,367**	**554,518**	**214,748**	**148,273**	**25,051**	**18,851**	**2,343,539**	**2,055,091**	**(72,713)**	**(55,578)**	**3,236,992**	**2,721,155**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**1,341,208**	**1,324,753**	**-**	**-**	**1,341,208**	**1,324,753**
Total liabilities and shareholders' equity	**726,367**	**554,518**	**214,748**	**148,273**	**25,051**	**18,851**	**3,684,747**	**3,379,844**	**(72,713)**	**(55,578)**	**4,578,200**	**4,045,908**

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

	Car rental		Fleet rental		Franchising		Eliminations		Consolidated (IFRS and BR GAAP)	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net revenue	2,646,587	2,344,041	840,167	805,447	19,481	17,312	-	-	3,506,235	3,166,800
Costs	(1,910,984)	(1,772,816)	(519,036)	(548,169)	(8,578)	(8,310)	(5,566)	(3,696)	(2,444,164)	(2,332,991)
Gross profit	**735,603**	**571,225**	**321,131**	**257,278**	**10,903**	**9,002**	**(5,566)**	**(3,696)**	**1,062,071**	**833,809**
Operating expenses:										
Selling	(253,977)	(231,137)	(37,837)	(36,756)	(83)	(94)	2,603	1,932	(289,294)	(266,055)
General, administrative and other expenses	(100,079)	(81,042)	(23,594)	(22,632)	-	(16)	2,963	1,764	(120,710)	(101,926)
								-		-
Income before financial expenses, net	**381,547**	**259,046**	**259,700**	**197,890**	**10,820**	**8,892**	**-**	**-**	**652,067**	**465,828**
Financial expenses, net									(110,564)	(138,702)
Earnings before taxes									**541,503**	**327,126**
Income tax and social contribution									(157,159)	(86,190)
Net income									**384,344**	**240,936**

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

	Consolidated (IFRS and BR GAAP)	
	2013	**2012**
Brazilian operations	3,495,736	3,157,597
Export revenue (*)	9,811	8,739
Royalties abroad	688	464
Net revenue	**3,506,235**	**3,166,800**

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

(iii) Depreciation and amortization expenses, per operating segment, are as follows:

	2013	**2012**
Car rental:		
Car depreciation	85,826	212,710
Depreciation of other property and equipment and amortization of intangible assets	33,871	31,328
Fleet rental:		
Car depreciation	143,222	164,178
Depreciation of other property and equipment and amortization of intangible assets	1,097	1,193
Franchising:		
Depreciation of other property and equipment and amortization of intangible assets	443	447
Total depreciation and amortization expenses	**264,459**	**409,856**

19. NET REVENUE

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2013	2012	2013	2012
Gross revenue	2,628,694	2,321,268	3,595,086	3,239,773
Deductions:				
Discounts	(11,196)	(11,369)	(22,546)	(12,972)
Taxes on revenues (*)	(38,524)	(32,495)	(66,305)	(60,001)
Net revenue	**2,578,974**	**2,277,404**	**3,506,235**	**3,166,800**

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

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2013	2012	2013	2012
Revenues from car rentals	1,113,559	1,045,173	1,163,504	1,093,744
Revenues from fleet rental	-	-	575,882	535,750
Franchising	688	464	19,481	17,312
Cars sold for fleet renewal	1,464,727	1,231,767	1,747,368	1,519,994
Net revenue	**2,578,974**	**2,277,404**	**3,506,235**	**3,166,800**

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

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

	Costs				General and administrative, selling and other			
	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2013	2012	2013	2012	2013	2012	2013	2012
Cost of cars sold	(1,271,874)	(1,068,538)	(1,486,019)	(1,305,835)	-	-	-	-
Car depreciation	(84,791)	(212,710)	(229,048)	(376,888)	-	-	-	-
Car maintenance, car tax (IPVA) and other	(191,423)	(192,287)	(295,749)	(299,187)	-	-	-	-
Depreciation and amortization of other property and equipment and intangible assets	(16,805)	(15,278)	(17,520)	(15,806)	(17,891)	(17,147)	(17,891)	(17,162)
Payroll and related changes	(166,573)	(141,467)	(195,404)	(165,502)	(123,747)	(100,009	(182,825	(156,954)
Profit sharing	(19,531)	(12,222)	(24,524)	(15,357)	(17,665)	(11,288)	(25,477)	(16,167)
Third parties services	(19,960)	(21,251)	(23,498)	(24,697)	(39,386)	(36,504)	(40,417)	(37,982)
Real estate rental	(81,683)	(68,634)	(82,798)	(70,583)	(42,552)	(37,038)	(42,552)	(37,038)
Commissions	-	-	-	-	(26,470)	(19,796)	(27,233)	(20,448)
Advertising	-	-	-	-	(30,825)	(39,839)	(30,839)	(39,856)
Other	(75,028)	(55,834)	(89,604)	(59,136)	(25,915)	(26,138)	(42,770)	(42,374)
	(1,927,668)	**(1,788,221)**	**(2,444,164)**	**(2,332,991)**	**(324,451)**	**(287,759**	**(410,004**	**(367,981)**

21. FINANCIAL INCOME (EXPENSES)

Financial income (expenses) in the statement of income is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2013	2012	2013	2012
Financial income				
Interest income from short-term investments	52,319	47,038	68,747	57,120
Other interest income	5,941	2,422	7,783	3,459
	58,260	**49,460**	**76,530**	**60,579**
Financial expenses				
Interest expense from loans, financing and debentures	(163,108)	(151,807)	(181,594)	(195,881)
Other interest expenses	(3,838)	(3,577)	(5,500)	(3,400)
	(166,946)	**(155,384)**	**(187,094)**	**(199,281)**
Financial expenses, net	**(108,686)**	**(105,924)**	**(110,564)**	**(138,702)**

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Financial assets				
Loans and receivables at amortized cost				
Cash and cash equivalents (Note 4)	621,518	713,017	1,010,740	823,866
Accounts receivable (Note 5)	333,231	291,414	415,405	365,138
Escrow deposits (Note 14(b))	24,092	19,650	38,076	23,042
Financial liabilities				
Other financial liabilities at amortized cost				
Trade accounts payable (Note 10)	386,954	304,601	460,482	356,152
Loans, financing and debentures (Note 12)	2,096,871	1,822,574	2,343,539	2,055,091

(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 conducted by the Audit and Risk Management Committee, created in 2007 by the Board of Directors to identify and monitor the main risk factors of the Company. In addition, the risk identification, analysis and monitoring is followed up by the Board of Directors, which has the power to decide 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 vary due to interest rate changes. The purpose of market risk management is to ensure that the Company is exposed only to acceptable risk levels 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, debentures and fixed rate swaps.

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

The Company uses cash from operations to conduct its daily business activities, and finance its fleet renewal and part of its growth. To supplement its cash requirements for growth, the Company obtains loans and financing from major financial institutions in Brazil, and issues debt securities (debentures and promissory notes), that are substantially indexed to the CDI fluctuation. The inherent risk arises from the possibility of relevant increases in CDI.

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

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

- As of December 31, 2013, the Company's net debt was R$ 1,332,799; see the breakdown of this amount in (b), item (i), below;

- Market expectation for the base date of December 31, 2013, according to data from the Focus Bulletin issued by the Brazilian Central Bank, is an estimated average effective CDI rate of 10.48%, considered as the probable scenario for 2014, against the effective rate of 8.05% in 2013.

Description	Consolidated (IFRS and BR GAAP)		
	Probable scenario (*)	Scenario I - 25% stress	Scenario II - 50% stress
Net debt as of December 31, 2013 (letter (b) item (i))	**1,332,799**	**1,332,799**	**1,332,799**
(-) Fixed rate and amounts hedged with leasing fixed rate swap (Note 12 and Note 22 item (d))	(403,488)	(403,488)	(403,488)
Net debt subject to the CDI variation	**929,311**	**929,311**	**929,311**
Effective CDI rate for the twelve-month period ended 12/31/2013	8.05%	8.05%	8.05%
Estimated annual CDI rate, according to stress scenarios	10.48%	13.10%	15.72%
Effect on financial expenses:			
- according to effective rates	(74,810)	(74,810)	(74,810)
- according to scenarios	(97,392)	(121,740)	(146,088)
Annual (increase) in financial expenses	**(22,582)**	**(46,930)**	**(71,278)**

(*) As required by IFRS 7, Management understands that the 10.48% rate is the fairly possible scenario for 2014, according to Focus Bulletin of the Brazilian Central Bank, issued on December 31, 2013

- **Currency risk** - as stated in Notes 12(b) item (iii) and 22(d), the Company is not exposed to currency risk since it enters into swap transactions tied to foreign currency denominated loans.

(ii) Credit risk

The credit risk is the risk that one party does not comply with its contract obligations, and the Company incurs in financial losses. The Company's credit risk basically arises from the trade accounts receivable and cash and cash equivalents deposited/invested in banks and financial institutions.

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Loans and receivables				
Cash and cash equivalents:				
Financial investments				
Aaa.br (Moody´s scale)	614,007	705,267	988,433	811,022
Cash and banks	7,511	7,750	22,307	12,844
Total cash and cash equivalents	**621,518**	**713,017**	**1,010,740**	**823,866**
Trade accounts receivable	196,904	158,820	271,831	230,276
Accounts receivables - credit card:				
- A3 (Moody´s scale)	56,458	52,362	59,724	53,394
- Baa2 (Moody´s scale)	69,229	65,840	72,467	66,766
- Sundry	10,640	14,392	11,383	14,702
Total accounts receivable	**333,231**	**291,414**	**415,405**	**365,138**
	954,749	**1,004,431**	**1,426,145**	**1,189,004**

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

  As set by the Board of Directors, short-term investments greater than 20% of the funds available can only be made in financial institutions with net worth above R$ 10 billion; the maximum investment amount per bank is limited to 40% of total funds available for investment.

- **Accounts receivable** - the management of the credit risk related to accounts receivable is constantly monitored by the Company, which has established control policies.

  The Company reduces its credit risk by operating significantly with credit cards on car rental, mainly in transactions with individuals. As of December 31, 2013, two of the largest credit card companies accounted for 17.4% and 14.4% of the Company's trade accounts receivable balance. The credit risk in transactions with legal entities for the 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. Customers' financial position 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 by the use of financing companies and/or lease companies with renowned financial and liquidity capacities.

  In addition, credit risk management includes the analysis of accounts receivable recoverability, in which the necessity of recognizing an allowance for doubtful accounts is evaluated in order to adjust them to their probable realization amounts. This analysis, whose 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. Therefore, according to the customer risk classification, credits are adjusted to their probable realization amounts through the recognition of an allowance for doubtful accounts, and may be applied both to overdue bills and current bills, depending on the risk classification assigned to the customer. More information about the allowance for doubtful accounts and receivables is shown in Note 5.

  Credit risk concentration is limited because the customer basis is broad. All relevant 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

Liquidity risk is the risk of lack of funds to settle obligations. The liquidity risk management is conducted to ensure that the Company has the necessary funds to settle its financial liabilities on maturity.

The management of the liquidity risk is conducted by the Finance Department and monitored by the Board of Directors. Liquidity risk management is conducted considering fund raising 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 used to borrow, based on the ongoing

monitoring of estimated and actual 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 & Poors	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 three rating agencies, Standard & Poors, Fitch Ratings and Moody's.

The analysis of the undiscounted contractual cash flows of loans, financing and debentures, using the interest rate contracted for each transaction and SELIC of 10.00% as of December 31, 2013, is as follows:

	Individual (BR GAAP)								
	2014	2015	2016	2017	2018	2019	2020	2021	Total
Debentures - 2nd issuance	73,363	-	-	-	-	-	-	-	**73,363**
Debentures - 4th issuance	44,455	42,041	62,009	101,484	-	-	-	-	**249,989**
Debentures - 5th issuance	56,557	57,376	292,973	264,245	-	-	-	-	**671,151**
Debentures - 6th issuance	32,718	33,465	63,703	60,085	146,633	133,481	-	-	**470,085**
Debentures - 7th issuance	54,798	56,728	129,764	121,058	112,225	103,914	119,910	108,450	**806,847**
NCC - Commercial Credit Note	70,805	84,594	21,088	-	-	-	-	-	**176,487**
Swap - Localiza	(2,682)	-	-	-	-	-	-	-	**(2,682)**
Leases	2,129	1,185	336	-	-	-	-	-	**3,650**
Foreign currency - loans/with Swap	12,459	52,527	370,229	44,188	-	-	-	-	**479,403**
Total	**344,602**	**327,916**	**940,102**	**591,060**	**258,858**	**237,395**	**119,910**	**108,450**	**2,928,293**

	Consolidated (IFRS and BR GAAP)								
	2014	2015	2016	2017	2018	2019	2020	2021	Total
Debentures - 2nd issuance	73,363	-	-	-	-	-	-	-	**73,363**
Debentures - 4th issuance	44,455	42,041	62,009	101,484	-	-	-	-	**249,989**
Debentures - 5th issuance	56,557	57,376	292,973	264,245	-	-	-	-	**671,151**
Debentures - 6th issuance	32,718	33,465	63,703	60,085	146,633	133,481	-	-	**470,085**
Debentures - 7th issuance	54,798	56,728	129,764	121,058	112,225	103,914	119,910	108,450	**806,847**
NCC - Commercial Credit Note	98,184	110,650	39,749	29,876	34,710	57,830	-	-	**370,999**
Swap - Localiza Fleet	(2,199)	-	-	-	-	-	-	-	**(2,199)**
Swap - Localiza	(2,682)	-	-	-	-	-	-	-	**(2,682)**
Leases	101,153	38,720	722	-	-	-	-	-	**140,595**
Foreign currency - loans/with Swap	12,459	52,527	370,229	44,188	-	-	-	-	**479,403**
Total	**468,806**	**391,507**	**959,149**	**620,936**	**293,568**	**295,225**	**119,910**	**108,450**	**3,257,551**

(b) Capital management

The Company's business requires long-term intensive capital to finance the fleet aiming at the implementation of its expansion strategy. The main purposes of capital management are:

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

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

The Company is subject to external capital requirements, according to the accelerated maturity relating to its debenture issuances that give rise to the maintenance of certain financial ratios, see Note 12(a).

(i) Debt ratio

Capital is monitored based on the Company's debt ratio, which corresponds to the net debt divided by equity. Net debt is defined by the Company as current and non-current debt minus cash and cash equivalents. The Company's overall capital management strategy remains unchanged over the last two years.

The table below shows the Company's debt ratios as of December 31, 2013 and 2012:

	Consolidated (IFRS and BR GAAP)	
	12/31/2013	**12/31/2012**
Short and long-term indebtedness (Note 12)	2,343,539	2,055,091
Cash and cash equivalents (Note 4)	(1,010,740)	(823,866)
Net debt	**1,332,799**	**1,231,225**
Shareholders' equity	1,341,208	1,324,753
Debt ratio	**0.99**	**0.93**
Value of the fleet	**2,797,911**	**2,547,547**
Net debt x value of the fleet	**0.48**	**0.48**

(c) Fair value of financial instruments

Differences between the carrying amounts and the fair values of loans, financing and debentures were identified in transactions involving financial instruments, since these instruments have extended settlement terms and differentiated costs in relation to the rates charged for similar contracts at the balance sheet date.

A summary of the fair values of swap transactions are shown in the table below.

	Level 2 (*)
Fixed rate swap (classified in loans and financing)	5,450
U.S. dollar swap (classified in loans and financing)	93,263
	98,713

(*) The fair values were calculated based on models that use observable input and future assumptions about 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 applicable period. There are no financial instruments measured at fair value in Levels 1 and 3.

The table below shows the financial liabilities measured at fair value in the Company's balance sheet as of December 31, 2013 and the categories of the data related to the respective liabilities.

The estimated carrying amounts and fair values of loans, financing, and debentures are calculated based on models that use observable inputs and future assumptions about interest rates, among other applicable variables. The rates are obtained from financial institutions for operations under similar conditions or based on information provided by the market, when available. The fair values are calculated by projecting the future flow of operating activities based on the projected interest rate curve, adjusted to present value using the data that indicates prices and benchmark rates available in the market or a rate based on the premium payment conditions upon the accelerated optional redemption set forth in the debenture deed. The estimated fair values are as follows:

	Individual (BR GAAP)				Consolidated (IFRS and BR GAAP)			
	Carrying amount		Fair value		Carrying amount		Fair value	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Financial liabilities - other financial liabilities:								
Loans, financing and debentures	2,096,871	1,822,574	2,112,509	1,812,511	2,343,539	2,055,091	2,361,215	2,045,028
Swap transactions	81,485	32,394	93,263	32,394	86,936	28,912	93,263	28,912

In the opinion of the Company's Management, the carrying amounts of the other financial instruments, such as cash and cash equivalents, trade accounts receivable and trade accounts payable, recognized in the individual and consolidated financial statements at carrying amounts do not present any significant variation to approximate their respective fair values, as the maturity dates of most balances are close to the balance sheet date.

(d) Derivatives

As of December 31, 2013, the Company was part of two swap transactions (plain vanilla) only for purposes of protection against the respective foreign currency-denominated loans; both transactions were entered into with large size financial institutions.

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

						Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)		
						12/31/2013		
				Rates		Notional amount		(Payables)/ receivables
Swap transactions	Contract date	Maturity	Counterparty	Assets	Liabilities	R$ thousand	US$ thousand	R$ thousand
US dollar x Reais	6/29/2010	5/25/2016	Itaú BBA S.A.	US dollar fluctuation + coupon of 6.44% p.a.	114.7% of the CDI variation	170,000	95,506	29,794
US dollar x Reais	11/16/2011	8/16/2017	Bank of America	US dollar fluctuation + coupon of 1.60% p.a.+ 3-month LIBOR	102.5% of the CDI variation	123,000	75,000	51,691

Payable/receivable amounts are presented together with the balances of the related foreign currency 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 (formerly Total Fleet) contracted swap operations exchanging the CDI variation for a fixed rate in order to protect itself from the risk of losing profitability on rental contracts and maintain its competitiveness.

						Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
						12/31/2013	
				Rates		Notional amount	(Payables)/receivables
Swap transactions	Contract date	Maturity	Counterparty	Assets	Liabilities	R$ thousand	R$ thousand
CDI x Fixed rate	6/15/2012 to 11/5/2012	1/31/2014 to 12/15/2014	Brazilian banks	109.7% to 113.8% of CDI variation	8.35% p.a. to 9.6% p.a.	292,820 (*)	5,450

(*) The asset position (fixed rate) of swaps corresponds to R$ 292,820 as of December 31, 2013.

23. FINANCE LEASES

As of December 31, 2013, the Company had finance leases as follows:

(i) Aircraft

Localiza had a finance lease relating to a Cessna aircraft, model 550 (Citation Bravo), for the exclusive use of the Company's Management, as defined in a Board of Directors' meeting. This aircraft was accounted for as part of Localiza's property and equipment (lessee), as in Note 8, and its useful life was estimated at ten years. The agreement was made for a term of 36 months counted from the delivery of the asset, which occurred in July 2010, with the option to purchase the asset at the end of the lease term, adjusted by CDI plus a spread of 2.33% p.a. The guaranteed residual value was paid in advance upon receipt of the asset.

In July 2013, Localiza settled the finance lease and exercised the purchase option.

(ii) Cars

The wholly-owned subsidiary Localiza Fleet (formerly Total Fleet) owns 7,379 fleet cars acquired under finance leases. These cars were accounted for as part of its property and equipment and are subject to an average depreciation rate of 12.1% per year. The agreements were entered into in 2012 and 2013 with a 24-month term counted from the delivery of the asset, and the option to purchase the asset at the end of the lease term, adjusted by CDI plus a spread from 1.63% p.a. to 1.87% p.a., and in the case of fixed rate, by a rate from 9.33% p.a. to 13.39% p.a. The guaranteed residual amount will be paid after the end of the lease term.

The residual values by category of assets acquired under finance leases are as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	**12/31/2012**	**12/31/2013**	**12/31/2012**
Property and equipment				
Cars	-	-	215,468	110,632
Aircraft	3,922	4,518	3,922	4,518
Hardware	3,741	2,307	3,741	2,307
Total property and equipment	**7,663**	**6,825**	**223,131**	**117,457**
Intangible assets				
Software	491	638	491	638
Total property and equipment and intangible assets	**8,154**	**7,463**	**223,622**	**118,095**

The reconciliation between total minimum future payments of finance leases and their present value, calculated based on the rates set forth in the agreements, is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Minimum payments:				
Future amounts	3,650	4,939	140,595	125,553
Unearned interest	(401)	(1,089)	(15,999)	(18,845)
Present value	**3,249**	**3,850**	**124,596**	**106,708**

As of December 31, 2013, the maturity of the minimum future payments of finance leases and their respective present values were as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Future payments	Present value	Future payments	Present value
Period after balance sheet date:				
Up to 12 months	2,129	1,625	101,153	93,343
Between 13 and 24 months	1,521	1,624	39,442	31,253
Total	**3,650**	**3,249**	**140,595**	**124,596**

No contingent payment is expected and there is no finance sublease for the transactions mentioned above.

Certain accelerated maturity events similar as those set forth in the fourth issuance of debentures apply to this transactions, except for financial ratios, which are not applicable to these transactions.

24. RENTAL OBLIGATIONS

(a) Real estate rental

The Company has property lease contracts for its car rental branches located in airports, off-airports (downtown branches), stores and parking lots.

Real estate rents for car rental branches in airports and malls comprise a fixed and a variable portion, which is linked to the branch's revenue. Other real estate rents for car rental branches, stores and parking lots do not have contingent payment agreements.

In the year ended December 31, 2013, real estate rental expenses totaled R$ 107,455 (R$ 94,698 as of December 31, 2012).

The minimum amounts payable for the remainder of the lease terms through December 31, 2013 are as follows:

Years	Concessions in airports	Downtown branches, stores and parking lots	Total
2014	22,562	72,832	95,394
2015	17,756	56,773	74,529
2016	11,352	46,921	58,273
2017	7,825	37,583	45,408
2018	4,693	31,091	35,784
2019 and onwards	7,068	89,836	96,904
Total	**71,256**	**335,036**	**406,292**

(b) Minimum guaranteed revenue from fleet rental

The minimum guaranteed amounts of fleet rentals to be received by the wholly-owned subsidiary Localiza Fleet (formerly Total Fleet) are as follows:

Years	Revenues
2014	396,565
2015	195,029
2016	54,048
2017	1,658
Total	**647,300**

25. PENSION PLAN

In August 2011 the Company started to sponsor a Pension Plan to supplement official social security benefits. This plan is managed by a major independent pension fund manager.

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 varies according to a contribution scale based on salary ranges of 1% or 5% of the employee's remuneration.

In July 2012, the Company signed the Addendum to the Collective Open Pension Plan PGBL, in which additional contributions will be made to Executive Officers who are or have been Statutory Officers, who have worked for the Company for over 20 years in a row, and who are missing a few years until retirement. The purpose of these contributions is that these Officers will continue to provide their services and remain with the Company until retirement, on the condition that they will not compete after retirement.

The adhesion is optional for an Eligible Officer who accepts the conditions established, especially staying with the Company until retirement and not competing for five years counted from separation. That is: during a period of five years the Eligible Officers undertake not to compete, directly or indirectly, with Localiza or other group companies, nor contribute to competition by third parties, either in Brazil or abroad, and not to, among other activities: (i) provide services as an officer, employee, manager, consultant, or (ii) finance, support technically, encourage or provide technical means.

After separation from the Company, and having complied with the aforementioned conditions, the Eligible Officer who adheres to the plan will receive the amounts to which he/she will be entitled in four annual and consecutive installments, the first payment being made immediately after separation. In addition, it is made clear that the Eligible Officer represents to be aware that non-compliance with any of the established obligations will result in the immediate suspension of the credit and release of the remaining Pension Plan installments, and the Eligible Officer will immediately reimburse all Pension Plan installments already credited, released or received, duly adjusted based on the IPCA variation, without detriment to other legal penalties or civil responsibility indemnities for the damages caused.

As of December 31, 2013, contributions made by the Company totaled R$ 3,334 in the Company and R$ 5,073 in the consolidated, which were allocated to "Cost", "Selling expenses" and "General, administrative and other expenses" in the statement of income, according to the functional allocation of the respective employees.

26. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for disclosure by the Executive Board on March 19, 2014.


Localiza