BRAZIL FAST FOOD CORP.

RULE 15c2-11
INFORMATION AND DISCLOSURE STATEMENT

For the fiscal year ended December 31, 2012

All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15c2-11(a)(5) promulgated under the Securities Exchange Act of 1934, as amended. The enumerated captions contained herein correspond to the sequential format as set forth in the rule.

Item (i) Exact Name of Issuer: Brazil Fast Food Corp.

Item (ii) Address of Principal Executive Offices: Rua Voluntarios da Patria, 89, 9º andar, Botafogo, 22.270-010, Rio de Janeiro, Brazil. Telephone Number, including area code: 55 21 2536-7500.

Item (iii) State or Other Jurisdiction of Incorporation or Organization: Delaware.

Item (iv) Exact title and class of the security: Common Stock, $0.0001 per share.

Item (v) Par or stated value of common stock: $0.0001 par value per share.

Item (vi) The number of shares of common stock outstanding as of December 31, 2012: 8,129,437 shares.

Item (vii) Name and address of transfer agent: American Stock Transfer & Trust Company LLC, 6201 15th Avenue, Brooklyn, New York 11219.

Item (viii) Nature of the issuers business: See section headed "DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

", beginning on page 48.

Item (ix) Nature of products or services offered: See section headed "DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

", beginning on page 48.

Item (x) Nature and extent of the issuers facilities: See section headed "DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

", on page 48.

Item (xi) Name of the chief executive officer and members of the board of directors: See sections headed "DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

", on page 48.

Item (xii) Issuer's most recent balance sheet and profit and loss and retained earnings statements: See "Index to Financial Statements" and accompanying financial statements, beginning on page F-1.

Item (xiii) Similar financial information for the two preceding fiscal years: See attached "Index to Financial Statements" and accompanying financial statements, beginning on page F-1.

THIS INFORMATION AND DISCLOSURE STATEMENT HAS BEEN PREPARED TO FULFILL THE REQUIREMENTS OF RULE 15C2-11(A) (5) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. IT IS INTENDED AS INFORMATION TO BE USED BY SECURITIES BROKERS AND DEALERS IN SUBMITTING OR PUBLISHING QUOTATIONS ON THE COMMON STOCK OF THE COMPANY AS CONTEMPLATED BY RULE 15C2-11.

NO BROKER, DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED HEREIN IN CONNECTION WITH THE COMPANY. ANY REPRESENTATIONS NOT CONTAINED HEREIN MUST NOT BE RELIED UPON AS HAVING BEEN MADE OR AUTHORIZED BY THE COMPANY.

THIS STATEMENT HAS NOT BEEN FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA") OR ANY OTHER REGULATORY AGENCY.

Unless otherwise specified, all references in this report to “Reais,” the “Real” or “R$” are to the Brazilian Real (singular), or to the Brazilian Reais (plural), the legal currency of Brazil, and “U.S. Dollars” or “$” are to United States Dollars.

Unless otherwise specified, all financial statements and other financial information presented herein are stated in R$ and are in accordance with generally accepted accounting principles in the United States (U.S. GAAP).

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BUSINESS

Brazil Fast Food Corp. ("BFFC", the "Company", "we" or "us") was incorporated in Delaware in 1992. The principal executive offices of BFFC are located at Rua Voluntários da Pátria, 89, 9º andar, Botafogo, CEP 22.270-010, Rio de Janeiro, Brazil, and the telephone number at that location is +55 (21) 2536-7500.

We, through our holding company in Brazil, BFFC do Brasil Participações Ltda. ("BFFC do Brasil", formerly 22N Participações Ltda.), and its subsidiaries, manage one of the largest food service groups in Brazil and franchise units in Angola and Chile.

Our subsidiaries are Venbo Comércio de Alimentos Ltda. ("Venbo"), LM Comércio de Alimentos Ltda. ("LM"), PCN Comércio de Alimentos Ltda. ("PCN"), CFK Comércio de Alimentos Ltda. ("CFK", former Clematis Indústria e Comércio de Alimentos e Participações Ltda.), CFK São Paulo Comércio de Alimentos Ltda. ("CFK SP"), MPSC Comércio de Alimentos Ltda. ("MPSC"). FCK Comércio de Alimentos Ltda. ("FCK", former Suprilog Logística Ltda.), DGS Comércio de Alimentos S.A. ("DGS"), Yoggi do Brasil Ltda ("Yoggi") and Internacional Restaurantes do Brasil S.A. ("IRB").

IRB has 40% of its capital held by Mascali Participações Ltda., another Brazilian limited liability company, whose main partner is the CEO of IRB.

Throughout this Annual Report, the terms "restaurants", "units", "stores" and "points of sale" are used interchangeably. This Annual Report should be read in conjunction with the FORWARD LOOKING STATEMENTS

and the

RISK **FACTORS** on page 12.

Our restaurant system includes restaurants and kiosks owned by the Company and by franchisees under the following brand names: Bob's, KFC, Pizza Hut, Yoggi and Doggis.

Bob's was founded in 1952 by the American tennis player Bob Falkemburg and it is fairly well-known in Brazil for the sandwiches and hamburgers with a Brazilian taste, its milk shakes and its flexible operation. Originated in Rio de Janeiro, the 60 year-old brand is the second largest fast food hamburger restaurant chain in Brazil, present in every State of the country, as well as in Angola and Chile.

Additionally, in the last few years, we developed a multi-brand concept through agreements with Yum! Brands Inc. ("Yum"), one of the largest quick service restaurant companies in the world, and Gastronomia & Negocios Sociedad Anonima ("G&N", formerly Grupo de Empresas Doggis Sociedad Anonima), the leading food service company in Chile. We own and operate in Brazil KFC and Pizza Hut restaurants as a franchisee of Yum and were we franchise Doggis stores as a master franchisor of G&N.

Also, in May 2012, the Company acquired Yoggi, which manages a frozen yogurt franchise network in Brazil.

Restaurants Operations

As of December 31, 2012, our restaurant system had a total of 1031 points of sale, including 440 kiosks. From this total, 939 were under Bob's brand, 41 under Yoggi brand, 16 under Doggis brand, 13 under KFC brand, 22 under Pizza Hut brand, besides 1 coffee corner which operating inside a Pizza Hut's restaurant.

Own-operated Restaurants

As of December 31, 2012, we owned and operated 40 points of sale, including 13 kiosks under Bob's brand, 13 under KFC brand, 22 under Pizza Hut brand, besides 1 coffee corner which operating inside a Pizza Hut's restaurant. All of these points of sale were located in the States of Rio de Janeiro (44) and São Paulo (31).

Franchised Restaurants

As of December 31, 2012, we had 956 points of sale owned and operated by our franchisees, of which 899, including 428 kiosks and 13 express stores, were under Bob's brand, 41,

including 7 self-service stores, under Yoggi brand, and 16 under Doggis brand. Approximately 44.2% of these points of sale were located in the States of Rio de Janeiro and São Paulo, with the remainder widely spread throughout major cities in all other States of Brazil, except for 5 franchised restaurants in Angola, including 2 kiosks, and 7 franchised restaurants in Chile.

The express stores under Bob's brand ("Bexpress") offer pre-prepared sandwiches, easy to heat in a special oven or microwave, beverages, milkshakes, sundaes and ice creams, among different products from traditional Bob's restaurants, and coffee. The products developed for the express stores allow the Company to participate at a temporary food service event with simpler and less expensive operation, bringing the brand closer to its public in highly relevant moments. Complementary, the products developed for the express stores are sold at Bex Stations (exclusive shelf for Bob's products) in Convenience Stores throughout Brazil. As of December 31, 2012, we have licensed Bex Stations to 38 different retailers. The self-service stores under Yoggi brand offer a variety of frozen yogurt flavors that can be customized by clients using various toppings and syrups and paid by weight.

Our revenues are comprised of retail sales at Company restaurants and kiosks, franchise revenues from initial fees paid upon the signing of a new franchise contract or franchise contract renewal and royalty fees based on a percentage of sales reported by franchise restaurants and kiosks, agreements with trade partners', and property income from restaurants that we lease or sublease to franchisees for a period no longer than one year.

We have five Bob's franchised restaurants in Luanda, capital of Angola and seven Bob's franchised restaurants in Chile; although we have been receiving royalties attributable to this operation, the total amount received is not relevant to our operations. . The figures are also not material in our consolidated financial statements but they are disclosed in special notes in the financial chapters of this Annual Report.

Sources of Supply

We strive to maintain quality and uniformity throughout our chains by only permitting own-operated and franchised restaurants the purchase of approved supplies from approved suppliers. To approve both supplies and suppliers, we assess and continuously monitor, through a specific team and third party contracted services, the efficiency and capabilities of their facilities, as well as the quality of their products. We also encourage innovation, best practices and continuous improvement.

We regularly negotiate supplies' purchase terms with leading suppliers to benefit all restaurants chains under our management. We negotiate, through a specialized third party company, with suppliers of equipment, appliances, packaging, cleaning material and uniforms targeting the constant modernization of our chains, including development of new equipments and appliances, their regulatory and visual identification adequacy and reduced costs. We also negotiate with beverage and food suppliers, but due to exclusive formulas those negotiations require confidentiality agreements and extended time for analysis and conclusion. We strategically decide whether use one or more suppliers for each product.

Although all commercial agreements are negotiated by us, all purchases are ordered by, delivered to and invoiced to each own-operated or franchised restaurant of our chains.

We also negotiate commercial agreements with centralized warehouses and distributors to provide our restaurants chains with storage, transportation and delivery of goods and other materials, like appliances, packaging, cleaning materials and uniforms. Martin-Brower (Bob's Brand), Luft Food Service, formerly FBD (Pizza Hut Brand), and Fast Food (KFC, Yoggi and Doggis Brands) provide services to our restaurants chains in Brazil.

Products and Quality Assurance

We strive to maintain quality and uniformity throughout our chains by publishing detailed specifications for food products, food preparation and service. Our employees are constantly trained and updated on safe food handling, preparation, and storage procedures and our stores are routinely sanitized and strictly controlled to prevent pest infestations. All these processes are established by our specific team as well as by federal, state and local governmental laws and regulations and are continuously monitored by third party contracted services.

Our layouts are based on production flow analysis and include the best available equipment and materials.

We periodically measure our customer experience and evaluate the overall performance of our operations platforms to improve guest satisfaction.

Franchise Program

We develop, operate, franchise and license a system of both traditional and non-traditional fast food restaurants. Traditional units feature large restaurants in line and drive-thru and

small restaurants in malls, airports, gasoline service stations, stadiums and colleges. Non-traditional units include express stores and kiosks which have a more limited menu and operate in convenience stores and where a full-scale traditional outlet would not be practical or efficient.

Our franchise program is designed to assure consistency and quality. All potential franchisees are submitted to tests, training and interviews and should meet certain basic conditions, such as significant business experience, financial resources and knowledge of the market in the area where the franchised unit will be located. When accepted, the potential franchisee signs the franchise agreement and pays the initial franchise fee. Our franchisees must use our approved supplies and suppliers and build each franchised unit in accordance with our specifications in approved locations. Franchisees contribute to our revenues through the payment of royalty fees, based on a percentage of sales reported by franchise restaurants and kiosks, and of initial fees, paid upon the signing of a new franchise contract or franchise contract renewal.

We consider extremely valuable the continued communication with our franchisees and their representatives and so, we invest a considerable amount of time and funds to achieve this objective though extranet, regional meetings with franchisees, representatives and franchise organizations as well as a bi-annual convention (in case of Bob's brand) and annual convention (in case of Yoggi brand).

Each of the brands we franchise has a Franchisee Committee, where voted representatives of the franchisees meet quarterly with our executives to discuss current and future developments, as well as several working groups that seek improvements in equipment, appliances, products, supply, automation system, operations and management.

Bob's attentiveness to franchisees has been recognized in the last fifteen years by the Brazilian Association of Franchising – ABF with the "Franchising Excellence Award." We encourage mature and profitable franchisees to increase the number of stores they operate.

As of today, Bob's have 399 franchisees and approximately 240 groups of franchisees, which include franchised restaurants for different companies in the same economic group and franchised restaurants for different family members.

Advertising and Promotions

We aim to increase fidelity among our target-market, formed by young consumers from 13 to 25 years old, and attract consumers not familiarized with our products. For this reason, we intend to identify our own-operated and franchised restaurants with a place to go with the family and to meet friends.

We, through our advertising agency, develop a multi-media marketing program to advertise our restaurant networks in its primary markets. We usually employ cinema, television, radio, outdoors, internet and a variety of promotional campaigns to advertise our products, and we develop various POS marketing material.

All of our own-operated and franchised restaurants contribute with a contracted percentage of their sales to a marketing fund dedicated to advertising and promotions that we administrate with a specific team for each brand we manage.

The marketing fund dedicated to Bob's brand is quarterly analyzed by voted representatives of the franchisees and audited yearly. The four marketing funds dedicated respectively to Pizza Hut, KFC, Doggis and Yoggi brands, manage expenses with local stores' advertising and promotions. Additionally, all Pizza Hut and KFC restaurants contribute to both Yum! Caribe and Latin America regional fund and receives guidance as per the brand exposition.

We keep our own-operated restaurant's managers and our franchisees fully informed of current advertising\g and promotions and we deliver POS marketing material to each unit of our chains.

Trademarks

Our trademarks and service marks have been registered in the Brazilian trademark office. These trademarks and service marks expire at various times, when they are routinely renewed. We believe that our trademarks and service marks are important to our business.

We have registered our trademark Bob's® in Costa Rica, Italy, El Salvador, Germany, Switzerland, France, Chile, Angola, Portugal, Paraguay, Morocco, Honduras, Guatemala, Nicaragua, Dominican Republic, Mexico, Uruguay, and Benelux (an economic union of Belgium, the Netherlands, and Luxembourg). We have also registered our trademark and logo Bob's Burgers® in EU, Angola, Argentina, Uruguay, Paraguay, Morocco, Chile and Mexico. KFC®, Pizza Hut® and Doggis® trademarks are registered by their proprietors, respectively Yum! Brands

and Gastronomia & Negocios. We have been formally granted the right to use these trademarks in Brazil.

Competition

Each of our restaurants is in competition with other food service operations within the same geographical area. We compete with other organizations primarily through the quality, variety, and value perception of food products offered. The number and location of units, quality and speed of service, attractiveness of facilities, and effectiveness of marketing are also important factors. The price charged for each menu item may vary from market to market depending on competitive pricing and the local cost structure.

Additionally, each of our restaurants is in competition with informal food service. Fast-food restaurants have to focus on a limited number of options, sometimes even on just one type of product, in order to achieve the efficiency required in the competitive food service industry. Brazil is a vast country with an extensive regional cuisine, where a typical meal from one region can be found exotic in another, making more challenging the act of convincing the general public of a cross-country homogeneous menu. Because of that, made to order improvisations, prepared at the street by informal and moveable vendors nearby bus stations and subways, can be more appealing to the general public, since it mirrors people's preferences with very low cost and normally tax reductions or exemptions. Moreover, each of our restaurants is in competition for consumers' pockets with other services and consumer goods, such as mobiles, cable TV, broad band Internet and retail stores financing.

Notwithstanding, we believe that, as a Brazilian-based company, we have the advantage, over our non-Brazilian competitors, of being able to readily understand and respond to local consumer preferences. In this sense, we are constantly accessing the market through opinion polls, practicing benchmark and developing strategic programs to increase our market share.

Number of Employees

The total number of employees, including franchise restaurants and kiosks employees was approximately 15,000 as of year-end 2012.

Availability of Reports and Other Information

We make available, free of charge, our Annual Report, Quarterly Reports, Current Reports, Proxy Statement and amendments to those materials at our website located at

www.bffc.com.br (under the "Investor Relations - Financial Reporting - Annual Report" caption).

RISK FACTORS

FORWARD LOOKING STATEMENTS

This Annual Report contains forward-looking statements including statements regarding, among other items, business strategy, growth strategy and anticipated trends in our business, which are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. The words “believe,” “expect” and “anticipate” and similar expressions identify forward-looking statements, which speak only as of the date the statement is made. These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties, some of which cannot be predicted or quantified and are beyond our control. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. Statements in this report, including those set forth in Risk Factors, describe factors, among others, that could contribute to or cause such differences. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Annual Report will in fact transpire or prove to be accurate.

Risks Relating to Operations

Our success depends on our ability to efficiently compete in the food service industry.

The success of our business is dependent upon our ability to compete with formal and informal players in the eating out segment, respond promptly to changing consumer preferences, improve and promote our products and services, recruit and motivate qualified restaurant personnel and boost consumer perceptions of our food quality and restaurants facilities, while maintaining the prices we charge our customers and our operational margins. The demand for low fat and less caloric food has increased significantly in the last few years and the Brazilian Government is growingly imposing new disclosure rules on the nutrition content of food products on sale as well as restrictions on advertising and promotions. To respond in accordance, we may be required to spend significant funds on research and development of new products, product line extensions, new food preparation methods and new appliances, training, as well as preparing and printing disclosure materials to be exposed in stores and on food packages. We may not have the resources necessary to compete effectively, which may cause consumers to prefer the products of our competitors, and our marketing campaigns may have a diminished effect. As a result, we could experience a decrease in revenues, which would have an adverse impact on our business and operations.

Our future success is dependent upon the success and expansion of our franchise program. A portion of our revenues is attributable to the fees we collect from our franchisees.

To improve our revenues in the future, we have developed a growth strategy that includes increasing our number of franchised points of sale. This growth strategy is substantially dependent upon our ability to attract, retain and contract with qualified franchisees and the ability of these franchisees to open and operate their points of sale successfully. In addition, our continued growth will depend in part on the ability of our existing and future franchisees to obtain sufficient financing or investment capital to meet their financial requirements, as well as to obtain adequate personnel and land to meet their operational and business requirements, factors highly influenced by the Brazilian economy and market development. If we experience difficulty in contracting with qualified franchisees, if franchisees are unable to meet their requirements or if franchisees are unable to operate their points of sale profitably, the amount of franchise fees paid to us by our franchisees would decrease and our future operating results could be adversely affected.

We are subject to extensive regulatory requirements applicable to the food service industry.

Both our franchisees and we are subject to regulatory provisions relating to the wholesomeness of food, sanitation, health, safety, fire, land use and environmental standards. Suspension of certain licenses or approvals due to our or our franchisees failure to comply with applicable regulations could interrupt the operations of the affected restaurant and inhibit our or their ability to sell products. Both our franchisees and we are also subject to Brazilian federal labor codes, which establish minimum wages and regulate overtime and working conditions. Changes in such codes could result in increased labor costs that could cause a reduction in our operating income. We are also subject to Brazilian federal franchising laws applicable to franchise relationships and operations. Changes in these or any other regulations may contain requirements that impose increased burdens on our business, which may adversely affect our results of operations. We cannot assure that we will be able to deal successfully with any potential new or amended regulations.

Risks Relating to Brazil

Our business is subject to changes in global and local market conditions.

Our business is very sensitive to the economic activity, and is highly affected by consumers' confidence, population average income and employment. Tax burden and interest rates

pressure our business by depressing our margins and increasing our cost of capital. Also, inflation pressure our business because, although inflation is often reflected on food products and packing material we purchase, as well as on utility service and occupancy expenses we incur, to pass along higher costs is not always possible due to diminished consumers' purchase power and competition. Besides, inflation can pressure labor costs and increase unemployment during economic downturn, which has an adverse effect on our business, since it spurs informal business, such as moveable food vendors at the street. In addition, economic accelerated expansion pressure our business through increased asset prices and leasing costs as well as scarcity of labor. We cannot assure we will be able to implement appropriate measures to mitigate these risks.

Our business may be affected by political and constitutional uncertainty.

High levels of uncertainty have marked the Brazilian political environment since the country returned to civilian rule in 1985. Although Brazil's democracy structure has gone through outstanding improvements in the last years, it still lacks of solid political institutions, committed political parties and a mature judicial system. The country suffers from constant institutional changes that turn very difficult the continuity of long-term development plans and that can adversely affect our strategies.

Controls on foreign investments may limit our ability to receive capital from our Brazilian operating subsidiaries.

Brazil generally requires the registration of foreign capital invested in Brazilian markets or businesses. Thereafter, any repatriation of the foreign capital, or income earned on the foreign capital investment, must be approved by the Brazilian government. Although approvals on repatriation and dividend payment are usually granted, and we have no knowledge of current restrictions on foreign capital remittances, there can be no assurance that in the future approvals on repatriation will be granted or restrictions or adverse policies will not be imposed.

Risks Related to Our Common Stock

Our common stock has been delisted from the Nasdaq SmallCap Market and deregistered from the U.S. Securities and Exchange Commission (the "SEC").

Our common stock was delisted from the Nasdaq SmallCap Market on March 11, 2002 and deregistered from the U.S. Securities and Exchange Commission (the "SEC") on October 22, 2012. As a result, our Common Stock is now quoted on the OTC Pink, which is likely to impair the trading price and liquidity of our Common Stock and will adversely impact our ability to access capital markets.

Risks Related to past due fiscal obligations of VENDEX

We may be responsible for possible unknown or future liabilities of Venbo related to the period prior to its acquisition by the Company.

In 1996, the Company acquired Venbo from VENDEX, a Dutch company. The purchase agreement determined that VENDEX would be responsible for any hidden liability or future liability of Venbo related to the period prior to the acquisition, limited to certain conditions. To our knowledge, VENDEX's attorneys are handling all legal disputes with the Brazilian tax authorities; however, we cannot predict what impact, if any, material claims, disputes or other matters related to Venbo in the period prior to its acquisition might have on our business.

UNRESOLVED STAFF COMMENTS

Not applicable.

PROPERTIES

We had property in eight different lands located in the city of Rio de Janeiro, Brazil, including buildings or improvements on it. Five of these properties were leased to Bob's brand franchisees and three properties housed Bob's brand own-operated restaurants. In September 2010, all eight properties were sold to our two main shareholders at fair market value on that date and with all necessary procedures to guarantee that independence rules were not ignored, including a formal opinion from lawyers in Brazil and the USA.

As of December 31, 2012, we leased the property for 116 points of sale, including three properties that we formerly owned and 61 that we subleased to franchisees. Our land and building operational leases are generally written for terms of five years with one or more five-year renewal options. Certain leases require the payment of additional rent equal to the greater of a percentage (ranging from 1.0% to 10.0%) of monthly sales or specified amounts.

Our corporate headquarters are located at Rua Voluntários da Pátria 89, 9th floor, Botafogo CEP 22.270-010, Rio de Janeiro, RJ, Brazil. We also have offices located at Avenida Brigadeiro Faria Lima 1572, 1208, Jardim Paulista CEP 01.452-908, São Paulo, SP, Brazil and Alameda Rio Negro 161, 602, Alphaville CEP 06.454-000, Barueri, SP, Brazil.

LEGAL PROCEEDINGS

We have pending a number of lawsuits that have been filed from time to time in various jurisdictions. The following is a brief description of the more significant of these lawsuits. In addition, we are subject to diverse federal, state and local regulations that impact several aspects of our business. In case we experience unfavorable decisions, our net income could be adversely impacted for the period in which the ruling occurs or for future periods. Material values that could impact income and that imply in risks of losing the lawsuits have been duly registered as liabilities in our financial statements.

Concerning Municipal Tax on Services ("ISS"), in 2003, a complementary law determined that franchising activity would become subject to taxation, with rate range between 2% and 5%, depending on each municipality. The collection of the tax still remains subject to interpretation by the courts due to controversy on the extension of the statutory definition of services. We filed a judicial action, the first in Brazil, arguing that royalties should not be considered revenues from services rendered and therefore should not be subject to ISS. At the same time, we start monthly depositing in court the amount under discussion, the ISS tax calculated on royalties. Although this determination increases our tax burden, it does not constrict our business, and albeit we believe we can be successful, we cannot guarantee our judicial action outcome.

Concerning Reassessed Taxes, in the past ten years, we enrolled in four amnesty programs launched by the Brazilian government for domestic companies to pay off their tax arrears. In September 2009, we enrolled in the fourth and last Brazilian government amnesty program (the "REFIS IV Program"), which objective was to take the original debts from the previous programs, update these debts by the Brazilian Central Bank base interest rate, and deduct the payments made during the previous programs. The Brazilian government took two years to make this calculation and, at the end of September 2011, the Brazilian government announced our consolidated tax debt. We believe the Brazilian government did not consider our total payments made during the prior amnesty programs. We filed an administrative appeal to the Brazilian Internal Revenue Service to have the calculations for the REFIS IV Program reviewed.

Yet, we cannot estimate what the outcome of this claim will be and whether it will be able to reduce the liability to the amount we believe we own.

Concerning Tax on Industrial Production ("IPI"), we had denied by the Brazilian Internal Revenue Service an IPI tax credit in the acquisition of packing material. The amount discussed was included in the REFIS IV Program.

Concerning lawsuits initiated by franchisees against us, we have one related to a franchisee that requests compensation from us for material and moral damages due to unsuccessful franchise operation and another one related to a franchisee that requests us to differentiate the calculation of royalties fees and marketing fund contributions due for his franchise operation. We believe both lawsuits are inconsistent, but we cannot guarantee their outcome.

Concerning inquires lead by the Public Prosecution Office:

(a) The Public Prosecution Office alleges our non-compliance with legal obligation to have 5% of our total workforce comprised of people with physical challenges. We are seeking to reach an agreement with the Public Prosecution Office, since we are facing difficulties in complying with this obligation due to the labor shortage.

(b) The Public Prosecution Office alleges our underpayment of ICMS tax in PanAmerican and Para-PanAmerican Games stores' operation. Although we proved taxes were collected under ICMS special regime of Rio de Janeiro Estate, we cannot guarantee a favorable outcome.

(c) The Public Prosecution Office criticizes our marketing campaigns for kids and subliminal incentive for consumption of unhealthy food. We have been employing our best efforts to comply with increasingly regulatory demands to which the fast food segment is subject, including the signature of a Term for the Adjustment of Conduct (TAC).

MINE SAFETY DISCLOSURES.

Not applicable.

MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is quoted on OTC Pink under the symbol "BOBS". There is a limited public trading market for our Common Stock. The following table sets forth the range of the high and low bid quotations for our Common Stock for the periods indicated:

Common Stock

Three Months Ended	High	Low
March 31, 2011	13.90	7.50
June 30, 2011	16.82	10.05
September 30, 2011	13.64	10.51
December 31, 2011	12.80	10.05
March 31, 2012	12.37	10.64
June 30, 2012	11.25	8.80
September 30, 2012	9.50	8.10
December 31, 2012	8.70	6.55

The above quotations represent prices between dealers, without retail markup, markdown or commission. They do not necessarily represent actual transactions.

Holders

As of January 14, 2013, the number of record holders of our Common Stock was 52.

Dividends

We have had a policy of retaining future earnings for the development of our business. Today, our dividend policy is subject to the discretion of the Board of Directors and depends upon a number of factors, including future earnings, financial and equity positions, cash requirements, and general business conditions. Each year, the Board of Directors discusses our profits distribution while considering our investment programs.

Although in 2008 and 2010 our Board of Directors decided to distribute cash dividends to our shareholders by virtue of our successful reorganization and increased operational margins, in 2009, 2011 and 2012 there were no dividends paid.

Equity Compensation Plans

Our Stock Option Plan terminated on September 17, 2002, ten years from the date of its adoption by the Board of Directors.

As of December, 31, 2012 there was no outstanding stock options or warrants.

Stock Repurchase Plan

Our Board of Directors approved a Stock Repurchase Plan limited to 400,000 shares. As of December 31, 2012, we had repurchased a total of 343,490 shares.

SELECTED FINANCIAL DATA

The following selected consolidated financial data has been derived from our audited financial statements and should be read in conjunction with "Index to Financial Statements" and accompanying financial statements, beginning on page F-1.

R$ '000	Year Ended December 31,				
	2012	2011	2010	2009	2008
REVENUES					
Net Revenues from Own-operated Restaurants	*R$ 178,107*	*R$ 170,249*	*R$ 154,591*	*R$ 146,875*	*R$ 90,122*
Net Revenues from Franchisees	45,315	35,223	28,386	24,647	22,427
Revenues from Supply Agreements	22,184	19,191	21,104	10,270	8,317
Other Income	*2,289*	2,130	2,198	3,098	2,499
TOTAL REVENUES	*247,895*	*226,793*	*206,279*	*184,890*	*123,365*
OPERATING COST AND EXPENSES					
Store Costs and Expenses	(158,252)	(153,130)	(142,950)	(135,116)	(89,729)
Franchise Costs and Expenses	(15,650)	(11,704)	(10,718)	(8,619)	(6,207)
Marketing Expenses	(5,472)	(4,326)	(5,054)	(4,092)	(1,053)
Administrative Expenses	(33,636)	(31,993)	(28,074)	(21,298)	(17,442)
Other Operating Expenses	(5,584)	(7,637)	(7,644)	(4,996)	(2,876)
Net result of assets sold and impairment of assets	(411)	(1,573)	7,367	1,225	(205)
TOTAL OPERATING COST AND EXPENSES	*(219,005)*	*(210,363)*	*(187,073)*	*(172,896)*	*(117,512)*
OPERATING INCOME	28,890	16,430	19,206	11,994	5,853
Interest Expense, net	(467)	1,297	(1,606)	(4,882)	(9,677)
NET INCOME (LOSS) BEFORE INCOME TAX	28,423	17,727	17,600	7,112	(3,824)
Income taxes - deferred	1,089	(2,432)	(4,057)	-	311
Income taxes - current	(7,552)	(4,629)	(2,278)	(36)	(746)
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	21,960	10,666	11,265	7,076	(4,259)
Net (income) loss attributable to non-controlling interest	(1,252)	(1,812)	384	317	-
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 20,708	R$ 8,854	R$ 11,649	R$ 7,393	R$ (4,259)
NET INCOME PER COMMON SHARE BASIC AND DILUTED	R$ 2.55	R$ 1.09	R$ 1.43	R$ 0.91	R$ (0.52)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: BASIC AND DILUTED	8,129,437	8,130,717	8,137,762	8,122,505	8,163,949
DIVIDEND PAID PER SHARE	*R$* -	*R$* 0.44	*R$* -	*R$* 0.08	*R$* -
Balance Sheet Data (End of Period):					
WORKING CAPITAL (DEFICIT)	24,154	16,943	(9,379)	(9,379)	5,577
TOTAL ASSETS	141,676	110,885	100,955	100,955	61,742
ACCUMULATED DEFICIT	3,527	(16,092)	(33,021)	(33,021)	(35,296)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	61,501	41,869	25,105	25,105	23,519

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with FORWARD LOOKING STATEMENTS

on page 12,

RISK **FACTORS** on page 12,

SELECTED FINANCIAL DATA on page 20 and with our consolidated financial statements and related notes appearing elsewhere in this report.

Background

Over the last years, we have endeavored to reduce our operating costs, increase our product offerings, improve our image to our customers, continuously develop and implement promotional campaigns and steadily increase our restaurant network and franchise base. Although we have experienced increases in operating revenues and positive net income in recent years, factors related to the Brazilian political and economic environment have contributed to our history of significant net losses. Following, we highlight some of these factors:

Brazilian Political Environment

Brazil, which is located in the central and northeastern part of South America, is the largest Latin American country and the world's fourth-largest democracy. Although democracy has increased its resilience in Latin America after decades of military ruling and has escalating support among the population, Latin America, and Brazil is no exception, carries a legacy of past undemocratic practices, and although a large number of its citizens believe that a market economy is essential for their country development and back private enterprise, they have generally been skeptical of political parties, the Congress and the courts.

Brazilian Economic Environment

In March 1994, the Brazilian government introduced an economic stabilization program, known as the "Real Plan", intended to reduce the rate of inflation by reducing certain public expenditures, collecting liabilities owed to the Brazilian government, increasing tax revenues, continuing to privatize government-owned entities and introducing the "Real", a new currency based on a monetary correction index and fixed against the U.S. Dollar. From 1994 to 2000, the Real Plan resulted in a substantial reduction in Brazil's rate of inflation.

During this period, many structural reforms, such as government monopolies break down, privatization and deregulation of some sectors, were approved by the Brazilian Congress and Senate, but the country fiscal deficit were still looming. After two major international crises, Asia in 1997 and Russia in 1998, investors fled to minimize their loss while Brazil's international reserves plunged. In January 1999, the Central Bank of Brazil determined the free fluctuation

of the “Real” against other currencies and adopted an inflation target methodology, where the National Monetary Council establishes an inflation target, with maximum and minimum variation permitted, to be met by the Central Bank through its monetary policy.

Brazil’s economic performance in the 2000s was not spectacular, but after a choppy beginning with the US equity market crashing, neighboring Argentina defaulting and foreign investors taking flight in the run-up to the 2002 presidential elections, the 2003-08 period provided a backdrop to stronger economic growth underpinned by a strong US economy, an emerging China that led to a rapid expansion of global trade, an extremely low global interest rates, abound capital flows to emerging markets, and record high commodity prices.

As of today, Brazil’s economic fundamentals remain very sound with record-high foreign exchange reserves and a very manageable current account deficit.

As the recent economy downturn can be largely explained by sluggish global demand, measures to raise productivity and both public and private-sector investment could, combined with a cyclical recovery, underpin economic growth over the medium term. Moreover, massive investment in infrastructure are expected in the country in the following years to meet the requirements set out by FIFA for the 2014 Football World Cup and by the International Olympic Committee for the 2016 Olympic Games, scheduled to take place in Brazil and Rio de Janeiro, respectively.

Year Ended December 31

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GDP[1]	0.9	2.7	7.5	-0.2	4.5	5.4	3.8	3.2	5.7	1.1
Inflation[2]	5.8	6.5	5.9	4.1	6.5	4.5	3.1	5.7	7.6	9.3
Interest Rates[3]	8.5	11.6	9.8	9.9	12.5	11.9	15.1	19.0	16.2	23.3
Exchange Rates[4]	-8.9	-12.6	4.3	25.5	-31.9	17.2	8.7	11.8	8.1	18.2

[1] Calculated by IBGE
[2] Broad National Consumer Price Index (IPCA), calculated by IBGE
[3] Variation of the basic interest rate (SELIC), settled by the Brazilian Central Bank
[4] (Devaluation)/Revaluation of the Brazilian currency against US$ (PTAX), informed by the Brazilian Central Bank

Description of the Company

The Company owns a restaurant system in Brazil which includes restaurants and kiosks owned by the Company and by franchisees under the following brand names: Bob's, KFC, Pizza Hut, Yoggi and Doggis. The Company reports the results of operations in the following reportable segments: own-stores operation; franchise operation; Bob's, KFC, Pizza Hut, Yoggi and Doggis.

Key Strategies

Bob's system has been experiencing a steady growth during the years, both through comparable sales (7.2% p.a. over the last five years) and number of stores (10.1% p.a. over the last five years).

Continuing the changes initiated with new slogan "can't control it", the brand, that turned 60 years old in 2012, initiated a review of its prices and offers. Ice creams and milkshakes had their prices reduced and new flavors launched as sandwiches had their traditional carton packaging replaced by an edible wrap (conclusion expected in 2013).

In 2013, the brand aims to increase the total number of stores In Line and Drive Thru, secure continuous expansion in the interior of Brazil and consolidate its market position improving its operational excellence and consumers' perception. In 2012, the Company and Yum! Restaurants International (YRI) announced the satisfactory completion of the first phase of their efforts to expand the KFC brand in Brazil, pursuant to which the Company was engaged to provide franchise support services to KFC franchisees and to develop the KFC brand, upon its reentry into Brazil.

The Company preferred to focus on increasing the profitability of each of its own stores, as it will continue to be a KFC franchisee focused in Rio de Janeiro and São Paulo and a Pizza Hut franchisee with operations in the São Paulo metropolitan area.

In the case of Doggis, in the last four years, the Company coped with all inherent challenges related to adapting in Brazil the successful model used in Chile. In 2012, several priority actions were effectively taken to reduce the cost of goods sold and the total investment required to open a store. As of today, we believe the brand's franchise business model, visual identity, pricing and offer are well adjusted. In 2013, the plan is to explore new store formats and new distribution channels to increase the brand penetration in Brazil, unoccupied by hot-dog specialists with national presence.

In the case of Yoggi, after a great vogue for frozen yogurt, the segment in Brazil went through a harsh decline in the last two years refining the excessive different brands stores with unbalanced operational costs inaugurated during the boom. Yoggi has the vision to become the segment leader in Brazil and a reference for lighter desserts and Açaí, the Amazon black-violet berry known for its nutritional value that has been increasing its market penetration. For this purpose, several new recipes for lighter and amusing desserts have been developed and the stores' visual identity has been changed. In 2013, the new store format will be launched with high expectations of its appeal among the high-end consumers. For the average consumer, it has been developed a self-service store and kiosk to be expanded in 2013 in several locations taking advantage of the large supply of used equipment at lower price (due to competitors' stores closures) and comparatively reduced occupancy cost.

RESULTS OF OPERATIONS COMPARISON OF YEARS ENDED DECEMBER 31, 2012, 2011, AND 2010 (Amounts in Brazilian Reais, unless otherwise stated)

The following table sets forth the statement of operations for the twelve–month periods ended December 31, 2012, 2011, and 2010. All the operating figures are stated as a percentage of total net revenues. However, the details of store costs and expenses and franchise expenses also include these figures as a percentage of net revenues from own-operated restaurants and net franchise revenues, respectively.

R$ 000'	12 Months Ended 31-Dec-12	%	12 Months Ended 31-Dec-11	%	12 Months Ended 31-Dec-10	%
REVENUES						
Net Revenues from Own-operated Restaurants	R$ 178,107	71.8%	R$ 170,249	75.1%	R$ 154,591	74.9%
Net Revenues from Franchisees	45,315	18.3%	35,223	15.5%	28,386	13.8%
Revenues from Supply Agreements	22,184	8.9%	19,191	8.5%	21,104	10.2%
Other Income	2,289	0.9%	2,130	0.9%	2,198	1.1%
TOTAL REVENUES	247,895	100.0%	226,793	100.0%	206,279	100.0%
OPERATING COST AND EXPENSES						
Store Costs and Expenses	(158,252)	-63.8%	(153,130)	-67.5%	(142,950)	-69.3%
Franchise Costs and Expenses	(15,650)	-6.3%	(11,704)	-5.2%	(10,718)	-5.2%
Marketing Expenses	(5,472)	-2.2%	(4,326)	-1.9%	(5,054)	-2.5%
Administrative Expenses	(33,636)	-13.6%	(31,993)	-14.1%	(28,074)	-13.6%
Other Operating Expenses	(5,584)	-2.3%	(7,637)	-3.4%	(7,644)	-3.7%
Net result of assets sold and impairment of assets	(411)	-0.2%	(1,573)	-0.7%	7,367	3.6%
TOTAL OPERATING COST AND EXPENSES	(219,005)	-88.3%	(210,363)	-92.8%	(187,073)	-90.7%
OPERATING INCOME	28,890	11.7%	16,430	7.2%	19,206	9.3%
Interest Expense, net	(467)	-0.2%	1,297	0.6%	(1,606)	-0.8%
NET INCOME (LOSS) BEFORE INCOME TAX	28,423	11.5%	17,727	7.8%	17,600	8.5%
Income taxes - deferred	1,089	0.4%	(2,432)	-1.1%	(4,057)	-2.0%
Income taxes - current	(7,552)	-3.0%	(4,629)	-2.0%	(2,278)	-1.1%
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	21,960	8.9%	10,666	4.7%	11,265	5.5%
Net (income) loss attributable to non-controlling interest	(1,252)	-0.7%	(1,812)	-0.8%	384	0.2%
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	20,708	11.6%	8,854	5.2%	11,649	7.5%

The Company's results of operations include the accounts of CFK subsequent to April 1, 2007, the accounts of IRB subsequent to December 1, 2008, the accounts of DGS subsequent to September 1, 2009 and the accounts of DGS subsequent to May 17, 2012.

Net Revenues from Own-Operated Restaurants

Net restaurant sales for our company-owned retail outlets increased R$7.9 million or 4.6% to R$178.1 million for the year ended December 31, 2012 as compared to R$170.2 million and R$154.6 million for the years ended December 31, 20101and 2010, respectively.

The breakdown of Net Revenues at the Company's own restaurants are as follows:

	Net revenues from own-operated restaurants							
	12 Months		Increase	12 Months		Increase	12 Months	
	December,31		(Decrease)	December,31		(Decrease)	December,31	
Brand	2011		%	2011		%	2010	
Bob's	R$	68,556	-8.9%	R$	75,228	4.3%	R$	72,104
KFC		33,097	29.2%		25,615	18.1%		21,690
IRB - Pizza Hut		76,454	12.3%		68,107	16.4%		58,522
DOGGIS		-	-100.0%		1,299	-42.9%		2,275
Consolidated Net Revenues	R$	178,107	4.6%	R$	170,249	10.1%	R$	154,591

Based on the criterion of same-store sales, which only includes stores that have been open for more than one year and represents a non-generally accepted accounting principles ("GAAP") statistic used in retail industry analyses, Bob's net restaurant sales in the twelve months ended December 31, 2012, were 2.9% higher than in the same twelve-month period in 2011. The increase is attributable to face-lifts in some stores and to the discounted price of one of the major burgers, as well as intensive actions to improve business at lunch time and in drive-thrus. However, Bob's overall sales decreased mainly because of the non-recurring revenues derived from the Rock in Rio festival in September 2011, which boosted revenues in that period by approximately R$6.1 million. Excluding these non-recurring sales, comparable sales would have been R$69.1 in the twelve months ended December 31, 2011, and R$68.5 in the twelve months ended December 31, 2012. This drop is mainly due to the reduction in the average number of points of sale (from 39 in 2011 to 38 in 2012).

During 2011 we converted all of our own-operated Doggis' stores to franchised stores. For this reason our results of operations for the twelve months ended December 31, 2012 do not disclose any Doggis' restaurant sales. This decrease in the number of Doggis' point of sales reflects the company's strategy to limit its direct operations to its most profitable outlets and to focus on growing its franchise network.

Under the criterion of same store sales, net restaurant sales increased approximately 4.1% for the KFC brand between the twelve months ended December 31, 2012 and the equivalent period in 2011. KFC's overall sales increased due to actions improving delivery business, web sales and development of tools to speed the store operations, as well as product promotions, such as R$1.00 ice cream and family combos. KFC's overall sales also increased due to the growth of point of sales from 10 at December 31, 2011 to 13 at December 31, 2012.

Under the criterion of same store sales, Pizza Hut's net restaurant sales increased by approximately 9.0% between the twelve–month period ended December 31, 2012 and the equivalent period in 2011. Pizza Hut's sale increase is attributable to (i) promotional products announced through radio advertisement previously to Christmas period; (ii) jointly marketing programs with a selected credit card operator; (iii) launch of a new internet home page; (iv) an increase in sale prices for most types of pizzas; (v) inclusion of an all-you-can-eat system on Mondays; (vi) intensive training of store personnel to improve sales of starters and deserts; (vii) alteration of the menus including products and product combinations and selling prices; (viii) co-branding deals with Nestle, Mars and Hershey's products; and (ix) discounted prices during Monday through Thursday. Pizza Hut's revenues were also positively impacted by the increased number of point of sales from 18 at December 31, 2011 to 22 at December 31, 2012.

Net Franchise Revenues

Net franchise revenues are comprised of initial fees (due upon the signing of a new franchise contract) and royalty fees (a percentage on sales by stores operated by franchisees), as set forth below:

R$'000

	12 months ended December, 31		
	2012	2011	2010
Net Franchise Royalty Fees	39,245	30,787	25,282
Initial Fee	6,070	4,436	3,104
Net Franchise Revenues	45,315	35,223	28,386

Net franchise revenues increased R$10.1 million or 28.7% to R$45.3 million for the year ended December 31, 2012, as compared to R$35.2 million and R$28.4 million for the years ended December 31, 2011 and 2010, respectively. These increases are mainly attributable to the growth of our franchise operations from 712 points of sale as of December 31, 2010 to 813 as of December 31, 2011 to 952 as of December 31, 2012.

Currently, the Bob’s brand accounts for most of the franchise activity.

Alongside the royalty fees and initial fees, the Company receives marketing contributions from franchisees, which are designed to finance corporate marketing investments and are accounted for as discussed in Marketing Expenses.

Revenue from Trade Partners and Other Income

Trade partners are suppliers of equipment, appliances, packaging, cleaning material, uniforms, beverage and food suppliers, centralized warehouses and distributors.

The Company regularly negotiates supplies’ purchase terms with leading suppliers to benefit all restaurants chains under our management. The Company negotiates, through a specialized third party company, with suppliers of equipment, appliances, packaging, cleaning material and uniforms targeting the constant modernization of its chains, including development of new equipments and appliances, their regulatory and visual identification adequacy and reduced costs. The Company also negotiates with beverage and food suppliers, but due to

exclusive formulas those negotiations require confidentiality agreements and extended time for analysis and conclusion. The Company strategically decides whether use one or more suppliers for each product.

Although all commercial agreements are negotiated by the Company, all purchases are ordered by, delivered to and invoiced to each own-operated or franchised restaurant of our chains.

The Company also negotiates commercial agreements with centralized warehouses and distributors to provide its restaurants chains with storage, transportation and delivery of goods and other materials, like appliances, packaging, cleaning materials and uniforms. Martin-Brower (Bob's Brand), Luft Food Service, formerly FBD (Pizza Hut Brand), and Fast Food (KFC, Yoggi and Doggis Brands) provide services to our restaurants chains in Brazil.

Revenues from trade partners' agreements are only possible because centralized supplier-buyer negotiations are more balanced and efficient for both the supplier and each of the restaurants managed by the Company and because the restaurants managed by the Company under prestigious brands throughout Brazil represent an excellent channel for suppliers to increase their sales.

Revenues from those agreements can be paid monthly or in advance (estimated), depending on the Company's financial decision. Revenues from those agreements are recognized as a credit in our statements of operations under "revenues from trade partners". Such revenue is recorded when cash from trade partners is received, since it is difficult to estimate the receivable amount and significant doubts about its collectability exists until the trade partner agrees with the exact amount.

Other income is mainly comprised of lease of Company's properties and nonrecurring gains.

Store Costs and Expenses

As a percentage of Total revenues, Store costs and expenses were (63.8%), (67.5%) and (69.3%) for the years ended December 31, 2012, 2011 and 2010, respectively.

Analyzed as a segment (own-store operations), the respective store costs and expenses for own-operated restaurants as compared to net revenues can be seen below:

R$ 000'		12 Months Ended 31-Dec-11	%		12 Months Ended 31-Dec-10	%		12 Months Ended 31-Dec-09	
STORE RESULTS									
Net Revenues from Own-operated Restaurants	R$	*178,107*	*100.0%*	R$	*170,249*	*100.0%*	R$	*154,591*	*100.0%*
Store Costs and Expenses									
Food, Beverage and Packaging		*(58,057)*	-32.6%		(58,043)	-34.1%		(53,075)	-34.3%
Payroll & Related Benefits		*(36,908)*	-20.7%		(33,929)	-19.9%		(34,161)	-22.1%
Restaurant Occupancy		*(19,747)*	-11.1%		(19,247)	-11.3%		(17,680)	-11.4%
Contracted Services		*(19,304)*	-10.8%		(16,878)	-9.9%		(18,534)	-12.0%
Depreciation and Amortization		*(5,976)*	-3.4%		(5,811)	-3.4%		(5,146)	-3.3%
Royalties Charged		*(7,016)*	-3.9%		(6,221)	-3.7%		(4,962)	-3.2%
Other Store Costs and Expenses		(11,244)	-6.3%		(13,001)	-7.6%		(9,392)	-6.1%
Total Store Costs and Expenses		*(158,252)*	*-88.9%*		*(153,130)*	*-89.9%*		*(142,950)*	*-92.5%*
STORE OPERATING INCOME		*19,855*	11.1%		17,119	10.1%		11,641	7.5%

Food, Beverage and Packaging Costs

The table below sets forth the cost of food per brand:

R$'000	12 Months ended December 31,2012			12 Months ended December 31,2011			12 Months ended December 31,2010		
Brand	Revenues	Cost of Food	%	Revenues	Cost of Food	%	Revenues	Cost of Food	%
Bob's	R$ 68,556	R$ (25,233)	-36.8%	R$ 75,228	R$ (29,800)	-39.6%	R$ 72,104	R$ (26,851)	-37.2%
KFC	33,097	(12,620)	-38.1%	25,615	(9,705)	-37.9%	21,690	(7,975)	-36.8%
IRB - Pizza Hut	76,454	(20,204)	-26.4%	68,107	(17,869)	-26.2%	58,522	(17,032)	-29.1%
DOGGIS	-	-	-	1,299	(669)	-51.5%	2,275	(1,217)	-53.5%
Consolidated	R$ 178,107	R$ (58,057)	-32.6%	R$ 170,249	R$ (58,043)	-34.1%	R$ 154,591	R$ (53,075)	-34.3%

The overall decrease in the cost of food, beverages and packaging as a percentage of Net Revenues from Own-Operated Restaurants from 2011 to 2012 was mainly due to increase in sales prices (better margins), to the reduction of freight costs and reduction in the purchase price of important products at Bobs, like bread, hamburger and ice cream and meat and cheese at Pizza Hut. These decreases were partially offset by higher purchase price of some raw materials used at Bob's and KFC, chicken, rice French fries and packaging products.

The overall decrease in the cost of food, beverages and packaging as a percentage of Net Revenues from Own-Operated Restaurants from 2010 to 2011 was mainly due to a drop in the

purchase price of some Pizza Hut products (cheese and ice cream) and Doggis products (sausages and mayonnaise), as well as lower freight charges. Some actions taken at Pizza Hut restaurants in order to improve the operating margin also contributed to the percentage decrease, such as (i) removal of some low-margin products from the menu (salmon and chicken wings); (ii) review of the composition of the combos; and (iii) removal of some special offers from the weekend menu.

The sales at the Rock in Rio Festival also contributed to the decrease of percentage of food and beverage costs since the operating margin was greater due to higher prices and lower taxes. These reductions were partially offset by a higher purchase price of some raw materials used at Bob's and KFC: hamburgers, soft drinks, chicken, French fries, some chicken products and packaging products.

Payroll & Related Benefits

The table below sets forth the payroll costs per brand:

R$'000	12 Months ended December 31,2012			12 Months ended December 31,2011			12 Months ended December 31,2010		
Brand	Revenues	Payroll	%	Revenues	Payroll	%	Revenues	Payroll	%
Bob's	R$ 68,556	R$ (15,086)	-22.0%	R$ 75,228	R$ (14,854)	-19.7%	R$ 72,104	R$ (16,656)	-23.1%
KFC	33,097	(7,578)	-22.9%	25,615	(5,970)	-23.3%	21,690	(5,465)	-25.2%
IRB - Pizza Hut	76,454	(14,244)	-18.6%	68,107	(12,412)	-18.2%	58,522	(11,223)	-19.2%
DOGGIS	-	-	-	1,299	(693)	-53.3%	2,275	(817)	-35.9%
Consolidated	R$ 178,107	R$ (36,908)	-20.7%	R$ 170,249	R$ (33,929)	-19.9%	R$ 154,591	R$ (34,161)	-22.1%

The Payroll & Related Benefits costs as a percentage of Net Revenues from Own-Operated Restaurants increased during both periods of 2012 as compared to the same period in 2011 mainly due to increases in salaries derived from union agreement and increase on headcount at the end of 2012.

The reduction in Payroll & Related Benefits as a percentage of Net Revenues from Own-Operated Restaurants is mainly due to the optimization of the workforce at all the brands (increased revenues with no significant rise in employees), except Doggis. Also, the increase of sales price was higher than the annual salary update. In addition, the Bob's restaurants reduced their overall headcount and hired more temporary staff, resulting in lower labor charges and benefits payable. Bob´s restaurants also reduced the labor transportation costs from 2010 to 2011.

Restaurant Occupancy Costs

The table below sets forth the occupancy costs per brand:

R$'000	12 Months ended December 31,2012			12 Months ended December 31,2011			12 Months ended December 31,2010		
Brand	Revenues	Occupancy	%	Revenues	Occupancy	%	Revenues	Occupancy	%
Bob's	R$ 68,556	R$ (7,409)	-10.8%	R$ 75,228	R$ (8,176)	-10.9%	R$ 72,104	R$ (7,530)	-10.4%
KFC	33,097	(4,272)	-12.9%	25,615	(3,176)	-12.4%	21,690	(2,981)	-13.7%
IRB - Pizza Hut	76,454	(8,066)	-10.6%	68,107	(7,447)	-10.9%	58,522	(6,680)	-11.4%
DOGGIS	-	-	-	1,299	(448)	-34.5%	2,275	(489)	-21.5%
Consolidated	R$ 178,107	R$ (19,747)	-11.1%	R$ 170,249	R$ (19,247)	-11.3%	R$ 154,591	R$ (17,680)	-11.4%

The decrease in restaurant occupancy costs and other expenses as a percentage of Net Revenues from Own-Operated Restaurants is mainly due to certain restaurant revenues during the second quarter of 2012 that were not subject to variable rent charges. Such decrease was partially offset due to higher store rents, as the rent agreements were adjusted, per their terms, by the IGP-M inflation index, which was 5.8% p.y.

As a percentage of restaurant sales, restaurant occupancy costs were comparable from 2010 to 2011.

Contracted Services

The table below sets forth the contracted service costs per brand:

R$'000	12 Months ended December 31,2012			12 Months ended December 31,2011			12 Months ended December 31,2010		
Brand	Revenues	Services	%	Revenues	Services	%	Revenues	Services	%
Bob's	R$ 68,556	R$ (7,131)	-10.4%	R$ 75,228	R$ (7,198)	-9.6%	R$ 72,104	R$ (7,866)	-10.9%
KFC	33,097	(3,404)	-10.3%	25,615	(3,025)	-11.8%	21,690	(3,239)	-14.9%
IRB - Pizza Hut	76,454	(8,769)	-11.5%	68,107	(6,390)	-9.4%	58,522	(7,112)	-12.2%
DOGGIS	-	-	-	1,299	(265)	-20.4%	2,275	(317)	-13.9%
Consolidated	R$ 178,107	R$ (19,304)	-10.8%	R$ 170,249	R$ (16,878)	-9.9%	R$ 154,591	R$ (18,534)	-12.0%

The increase in expenses related to contracted services as a percentage of net revenues from own-operated restaurants from 2011 to 2012 was due to increases in maintenance, delivery and utilities costs.

The reduction in expenses related to contracted services as a percentage of net revenues from own-operated restaurants from 2010 to 2011 was mainly attributable to reductions in maintenance, security and utilities costs. The decrease was partially offset by the increase in money transportation costs at stores.

Depreciation and Amortization

Depreciation and amortization expenses were comparable from 2010 to 2012.

Other Store Costs and Expenses

Other store cost and expenses expressed as a percentage of net revenues from own-operated restaurants remained at the same level for the nine-month period ended December 31, 2012 as compared to the same period in 2011.

Other store cost and expenses expressed as a percentage of Net revenues from own-operated restaurants increased from the twelve months ended December 31, 2011 to the same period ended December 30 , 2012 mainly due to non-recurring charges related to Rock in Rio Festival. In addition, the company had increase in cleaning and consume material in order to comply to new rules of Brazilian Health Authorities.

Franchise Costs and Expenses

As a percentage of Total Revenues, Franchise costs and expenses were (6.3%), (5.2%) and (5.2%) for the years ended December 31, 2012, 2011 and 2010, respectively.

Analyzed as a segment (franchise operations), franchise costs and expenses had the following behavior against net franchise revenues:

R$ 000'	12 Months Ended 31-Dec-12	%	12 Months Ended 31-Dec-11	%	12 Months Ended 31-Dec-10	
Revenues	R$ 45,315	100.0%	R$ 35,223	100.0%	R$ 28,386	100.0%
Payroll & Related Benefits	(9,636)	-21.3%	(6,938)	-19.7%	(6,696)	-23.6%
Occupancy expenses	(1,077)	-2.4%	(1,107)	-3.1%	(796)	-2.8%
Travel expenses	(2,235)	-4.9%	(1,294)	-3.7%	(1,137)	-4.0%
Contracted Services	(1,550)	-3.4%	(1,291)	-3.7%	(976)	-3.4%
Other franchise cost and expenses	(1,152)	-2.5%	(1,074)	-3.0%	(1,113)	-3.9%
Total franchise cost and expenses	(15,650)	-34.5%	(11,704)	-33.2%	(10,718)	-37.8%
Operating margin	R$ 29,665	65.5%	R$ 23,519	66.8%	R$ 17,668	62.2%

The nominal increases are attributable to the growth of franchise business and the related necessity to spread its infra-structure. Accordingly, there were increases of franchise department personnel and their compensation. The expansion in the number of employees also derived increases on occupancy costs, and traveling expenses in 2012.

From 2010 to 2011, the Company managed to increase its Franchise Revenues keeping its franchise department almost at the same size. Accordingly, there was an optimization of franchise expenses during 2011, since franchise revenues had a greater growth in the same period.

Marketing, General and Administrative and Other Expenses

Marketing expenses

The Company and its franchisees contributes to marketing fund as described at note 2 of the Financial statements

As a percentage of total revenues, marketing department expenses were approximately (2.2%), (1.9%) and (2.5%) for the twelve months ended December 31, 2012, 2011 and 2010, respectively.

General and Administrative Expenses

General and Administrative Expenses as a percentage of Total revenues were (13.6%), for the twelve months ended December 31, 2012, (14.1%) for the twelve months ended December 30, 2011 and (13.6%), for the twelve months ended December 31, 2010.

The breakdown of General and Administrative Expenses is disclosed at Note 15 to the Consolidated Financial Statements.

Other Operating Expenses

Other operating expenses are mainly comprised of uncollectible receivables, depreciation, preopening and non recurring expenses. Other operating expenses expressed as a percentage of Total revenues were (2.3%), for the twelve months ended December 31, 2012, (3.4%) for the twelve months ended December 30, 2011 and (3.7%), for the twelve months ended December 31, 2010.

The breakdown of Other Operating Expenses is disclosed at Note 16 to the Consolidated Financial Statements.

Impairment of Assets and Net Result of Assets Sold

The Company usually reviews its fixed and intangible assets for impairment in accordance with the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10 and 350-30 of the FASB ASC, which require that an impairment loss shall be recognized if the carrying amount of a fixed or an intangible asset is not recoverable and its carrying amount exceeds its fair value. Also, that guidance requires long-lived assets being disposed to be measured at either the carrying amount or the fair value less cost to sell, whichever is lower.

During 2011, our review in accordance with such guidance derived charge in the amount of R$1,883,000 to the income statement. The breakdown of impairment charge is as follows:

Brand	Impairment amount in R$ 000'
KFC	605
Pizza Hut	205
Bob's	165
Doggis'	908
Total	1,883

Doggis' brand impairment charges represented a significant portion of the Company´s long lived assets allocated to such brand. As discussed previously in this report, during 2011, the Company reviewed its strategy of Doggis Business and converted all of its own-operated stores to franchisees. Accordingly, the significant impairment charges of Doggis' brand reflects the review of future cash flows considering this new scenario.

During the years ended December 31, 2012 and 2010, our review in accordance with such guidance derived no charge to the income statement.

During 2010, the Company sold seven of its eight properties obtaining a non-recurring gain of approximately R$5.4 million. We expect to sell the remaining property during 2012 with additional gain of approximately R$1.7 million (see note 19.b to Consolidated Financial Statements). Seven of those sold properties operate under the Bob's brand (Three own-operated stores and four stores operated by franchisees) and one store operated by third party not related the Company´s brands. The sale transaction only included the buildings and improvements on it and did not include either the operating assets or the operation of the stores. Therefore, after the sale of the properties, the Company kept on operating its stores as

usual, as did the franchisees. This transaction enables the company to reduce its debt and permit the management to focus its attention on the core restaurant operations.

Also, during the year of 2010, the Company sold the operating fixed assets of two Bob's and one KFC stores to franchisees, resulting in another non-recurring gain of approximately R$1.2 million.

INTEREST EXPENSES AND INCOME TAX

Interest Expenses, net

The improvement of Interest results from 2010 to 2012 is mainly due to the decrease of Company's indebtedness and due to the improve of Company's working capital.

INCOME TAXES

Venbo, LM, PCN, CFK-RJ, CFK-SP, DGS and IRB have substantial tax loss carryforward derived from its past negative operating results. Each of these subsidiaries is represented by a separate entity for Brazilian tax purposes.

The Company yearly reviews the projections of the taxable results for each of its subsidiaries and, accordingly, adjusts its consolidated deferred income tax assets. Such review derived consolidated positive impact in our income statement of R$1.7 in 2011 are attributable to the complement of the valuation allowance on Venbo´s income tax credits in connection to the consolidation of the tax amnesty program, as discussed at notes 11 and 12.

During the year of 2012, although, our forecasts still indicate that future operating results would provide taxable income at some of its subsidiaries, the review of its deferred income taxes derived in charge of R$849 to its income statements.

LIQUIDITY AND CAPITAL RESOURCES

(Amounts in Brazilian Reais, unless otherwise stated)

A) Introduction

Since March 1996, we have funded our cumulative operating losses of approximately R$21.2 million and made acquisitions of businesses and capital improvements (including the refurbishment of some of the Company's stores), for which we used cash remaining at the closure of our acquisition of Venbo, borrowed funds from various sources, and made private placements of our securities. As of December 30, 2012, we had cash on hand of approximately R$32.2 million - which included a R$26.8 million investment in cash equivalent - and a working capital of approximately R$3.9 million.

In the past, debts denominated in any other currency than Brazilian Reais increased with the major devaluation of the Brazilian Real at the beginning of 1999. A sequence of years with reduced sales, mainly due to the weak economic environment in Brazil, worsened the situation and we were not able to pay some of our obligations, including taxes. In the following years the payment of taxes in arrears was renegotiated with levels of Brazilian government so they could be paid off in monthly installments.

With the improvement of the Brazilian economy since 2002, our total revenues have increased and, joined to a capital injection of R$9.0 million, we have started to reduce our debt position. In 2003 we rescheduled much of the debt to long term. The continued improvement of sales led us to (i) drastically reduce our debts with financial institutions in 2005; and (ii) extinguish those debts and reverse its financial position to present time deposits with financial institutions at the end of 2006. The improved collection rate from our franchisees, commencing in 2005, also strengthened our current assets. In 2007 and the first three quarters of 2008, we maintained this positive scenario and recorded positive working capital.

During the last quarter of 2008, we increased our bank debt position in order to fund the acquisition of IRB, the expansion of the KFC stores and the startup of the Doggis brand and these transactions brought the Company's working capital back into negative territory. After a sequence of positive results (operating income since 2009) the Company returned to positive working capital.

For the year ended December 31, 2012, we had net cash provided by operating activities of R$24.7 million (R$5.7 million in 2011), net cash used in investing activities of R$17.5 million (R$ 4.3 million used in 2011) and net cash provided by financing activities of R$3.5 million (R$3.2 million used in 2011). Net cash used in investing activities was primarily the result of Company's investment in property and equipment to improve Company's retail operations, mainly setting up new own-operated KFC and Pizza Hut stores. Net cash provided by financing activities was mainly the result of new borrowings to fund the Company's investments and operations.

Since the beginning of the repurchase program, we have also invested approximately R$2.1 million in the financial market, re-purchasing 335,165 shares that had gained considerable value in the over-the-counter market where they are negotiated.

We have had a policy of retaining future earnings for the development of our business. Today, our dividend policy is subject to the discretion of the Board of Directors and depends upon a number of factors, including future earnings, financial condition, cash requirements, and general business conditions. Each year, the Board of Directors discusses our profits distribution while considering our investment programs.

Although in 2008 and 2010 our Board of Directors decided to distribute cash dividends to our shareholders by virtue of our successful reorganization and increased operational margins, in 2009, 2011 and 2012 there were no dividends paid.

B) Debt Obligation - financial institutions

See disclosure at Note 8 to Consolidated Financial Statements regarding our debt obligations with financial institutions.

C) Debt Obligation – taxes and other obligation

See disclosure at Note 12 to Consolidated Financial Statements regarding our debt obligations related to tax amnesty programs and other obligation.

Our capital expenditures for fiscal year 2012 were approximately R$16.4 million. We require capital primarily for the improvement of our owned and operated points of sale. Currently, all our owned-operated retail outlets are located in leased facilities. Our land and building operational leases are generally written for terms of five years with one or more five-year renewal options.

In the past, we generated cash and obtained financing sufficient to meet our debt obligations. We plan to fund our current debt obligations mainly through cash provided by our operations, borrowings and capital injections.

The average cost of opening a retail outlet is approximately R$200,000 to R$2,000,000 including leasehold improvements, equipment and beginning inventory, as well as expenses for store design, site selection, lease negotiation, construction supervision and the obtainment of permits.

We estimate that our capital expenditure for the fiscal year of 2013 to be used for maintaining and upgrading our current restaurant network, making new investments in restaurant equipment, and expanding the KFC, Pizza Hut and Doggis chains in Brazil through own-operated stores, will come to approximately R$25.6 million. In 2013, we intend to focus our efforts on expanding both the number of our franchisees and the number of our franchised retail outlets, neither of which are expected to require significant capital expenditure. In addition, the expansion will provide income derived from initial fees charged on new franchised locations.

As discussed at Notes to the Consolidated Financial Statements 8 and 12, we have contractual obligations in different forms. The following table summarizes our contractual obligations and financial commitments, as well as their aggregate maturities.

R$'000

Fiscal Year	Contractual Leases	Financial Debt	Fiscal Debt	Total
2013	16,809	14,523	2,090	33,422
2014	11,300	3,304	2,090	16,694
2015	5,835	2,284	2,090	10,209
2016	3,910	809	2,090	6,809
2017	3,441	-	781	4,222
Thereafter	5,180	-		5,180
Total	46,475	20,920	9,141	76,536

Lease obligations are usually adjusted to keep in line with inflation, which is currently at 5.8% p.y. Fiscal debts are payable with interest, the rates of which are discussed in letter C above. All the amounts disclosed in the previous tables include interest incurred up to December 31, 2012 on an accrual basis.

We plan to address our immediate and future cash flow needs to include focusing on a number of areas including:

- the expansion of Company's franchisee base, which may be expected to generate additional cash flows from royalties and franchise initial fees without significant capital expenditures;
- the improvement of food preparation methods in all stores to increase the operational margin of the chain, including acquiring new store's equipment and hiring a consultancy firm for stores' personnel training program;
- the continuing of motivational programs and menu expansions to meet consumer needs and wishes;
- the improvement and upgrade of our IT system
- the negotiation with suppliers in order to obtain significant agreements in long term supply contracts; and
- the renegotiation of past due receivables with franchisees.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The management's discussion and analysis of the financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. On an ongoing basis, we evaluate our estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We annually review our financial reporting and disclosure practices and accounting policies to ensure that they provide accurate and transparent information relative to the current economic and business environment. Our significant accounting policies are disclosed at Note 2 to Consolidated Financial.

OFF-BALANCE SHEET ARRANGEMENTS

We are not involved in any off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK

We extinguished all of our debt denominated in US$ in 2003. Nevertheless, a portion of our purchase commitments are denominated in U.S. Dollars, while our operating revenues are denominated in Brazilian Reais. Fluctuations in exchange rates between the Real and the U.S. Dollar expose us to foreign exchange risk.

We finance a portion of our operations by issuing debt and using bank credit facilities. These debt obligations expose us to market risks, including changing CDI-based interest rate risk. The CDI is a daily variable interest rate used by Brazilian banks. It is linked to the Brazilian equivalent of the Federal Reserve fund rates and its fluctuations are much like those observed in the international financial market.

We had a R$20.4 million variable-rate (CDI-based interest) debt outstanding at December 31, 2012, and R$14.0 million outstanding at December 31, 2011. Based on these outstanding amounts, a 100 basis point change in interest rates would raise our interest expense by approximately R$0.3 million at December, 2012 and R$0.2 million at Decemeber 2010. Whenever possible, we make every effort to protect our revenues from foreign currency exchange risks by periodically adjusting our selling prices in Reais.

We are not engaged in trading market risk-sensitive instruments or purchasing hedging instruments or “other than trading” instruments that are likely to expose us to market risk, whether interest rate, foreign currency exchange, commodity price or equity price risk. Our primary market risk exposures are those relating to interest rate fluctuations and possible devaluations of the Brazilian currency. In particular, a change in Brazilian interest rates would affect the rates at which we could borrow funds under our several credit facilities with Brazilian banks and financial institutions.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company filed a Form 15 with the SEC on October 22, 2012 to deregister its common stock under Section 12(g)(4) of the Exchange Act. Upon 90 days after filing the Form 15, the Company suspended its periodic reporting obligations under Section 15(d) of the Exchange Act, including its obligation to file Forms 10-K, 10-Q and 8-K.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2012, the end of the period covered by this Annual Report, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Based upon the foregoing evaluation as of December 31, 2012, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and operating as of December 31, 2012, to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that such information is accumulated and communicated to our management, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13(a)-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control —

Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting includes policies and procedures that (1) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and board of directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and, even when determined to be effective, can only provide reasonable, not absolute, assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate as a result of changes in conditions or deterioration in the degree of compliance.

Management understands that the set of internal controls applicable to restaurant operations provides us reasonable trust on their performance, aligned with the best practices observed in the Brazilian food service market. Central support to stores is improving along the years adapting the best systems and methods that local suppliers offer for these activities in Brazil. At the same time our management has concluded that our internal control over financial reporting was effective as of December 31, 2012 and provides reasonable assurance regarding the reliability of financial reporting and for the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. The results of management's assessments were reviewed with the Audit Committee of our Board of directors. Management believes that the improvements we are pursuing through the implementation of the business process redesign project will comply with Sarbanes Oxley 404 rule, in order to be able to report according to this regulation when the market cap threshold will be achieved.

This annual report does not include an attestation report of our registered public accounting firm regarding our internal control over financial reporting. Management's report on internal control over financial reporting was not subject to attestation by our registered public

accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2012, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the matters mentioned above.

OTHER INFORMATION

None.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Currently, our Board of Directors (the "Board") is composed of five directors. Certain biographical information regarding our directors is set forth below.

Name	Age	Position and Offices Presently Held	Director Since
Guillermo Hector Pisano	74	Chairman	2002
Gilberto Tomazoni	53	Director	2010
Gustavo Alberto Villela Filho	66	Director	2007
Marcos Gouvêa de Souza	65	Director	2009
Marcos Rocha	49	Director	2009

Guillermo Hector Pisano has served as one of our directors since 2002 and is currently the Chairman of the Board of Directors. Mr. Pisano was Vice President of UAP do Brasil, the Brazilian agency of the French Insurance Company, from 1988 to 1996, Chief Financial Officer of RACIMEC, a Brazilian Industrial Computer Society, from 1983 to 1988, and Chief Executive Officer of CGA do Brasil, a French manufacturer of automation technology, from 1978 to 1982. Mr. Pisano also held a variety of positions from 1965 to 1978 with Thomson CSF, which is a French communications and radar manufacturer, in Argentina and in Brazil, where he was also the Chief Financial Officer. Mr. Pisano is an electronics engineer and has a degree from the National University of Buenos Aires, and also holds a degree in administration and financial management from the Thomson CSF School of Business with a specialization in industrial and institutional organization.

Mr. Pisano's many years of service on our board of directors and his service in varied executive positions with significant international companies allow him to provide valuable business, leadership and management advice to the board of directors.

Gilberto Tomazoni has served as one of our directors since 2010. Mr. Tomazoni is the President of Global Poultry Operations at JBS and has extensive experience and knowledge of the food industry. He worked for 27 years at Sadia S.A., four of which as CEO, where he participated actively in the company´s internationalization and in the development of its brands in Brazil and abroad. During the past three years he served as Vice President of Bunge Alimentos, managing the business of food and ingredients, accumulating the position of executive director for Central and South America. Mr. Tomazoni graduated as a mechanical engineer at Universidade Federal de Santa Catarina, with postgraduate studies in management development. He also has completed several courses in Brazilian institutions and a course on total quality management in Japan. He is and has been a member of the board of directors of different companies, including Excelsior Alimentos (Chairman), KS (a joint venture between Kraft and Sadia), Concórdia Russia (a joint venture with Miratory which created a new plant in Kaliningrado), Sadia Chile, Sadia GMBH (a holding company for international investments), the Chamber of Commerce and Industry Tourism of Brazil-Russia and the Santa Catarina Industrial Federation (FIESC). Mr. Tomazoni was the CEO at Sadia Argentina and at Sadia International and he is a member of the International Advisory Council of the Fundação Dom Cabral, a Brazilian institution devoted to superior educational degrees.

Mr. Tomazoni's familiarity with the Brazilian food markets, his long executive career and service on the boards of directors of major international companies allow him to bring key industry expertise to our board of directors.

Gustavo Alberto Villela Filho has served as one of our directors since 2007. Mr. Villela Filho is an associate of Villela e Kraemer Advogados, a Brazilian law firm. From 1978 to 1982, he held a variety of positions with COBEC — a Brazilian trading company, controlled by Banco do Brasil S.A., including serving as Chief Operational Officer and Chief Officer of the raw materials and manufactured products division. Mr. Villela Filho received a Bachelors of Law degree from the Rio de Janeiro State University, a Masters degree in Comparative Law from the Illinois University and a degree in Business Law from the CEPED — Center of Studies and Research in Law Teaching, a group of institutions formed by UEG, USAID, Fundação Ford and Fundação Getúlio Vargas.

Mr. Villela Filho's past position as a Chief Operating Officer of COBEC, as well as his many years of experience practicing law, allow him to provide valuable insight to the board of directors, particularly as it relates to legal and operational matters.

Marcos Gouvêa de Souza has served as one of our directors since 2009. Mr. Gouvêa de Souza is the Associate Manager of GS&D, a Brazilian consulting company specializing in retail markets and consumers' behavior and habits. For 18 years, he was an officer of several companies, including Lojas Arapuâ and Sears and Dillard's. For the past eight years he has been a professor in the ESPM (Superior School of Publicity and Marketing) and in the Fundação Getulio Vargas São Paulo, School of Business Administration. Marcos Gouvêa is the author of several books, studies and publications on retail markets, franchise administration and brands and economics and marketing. Mr. Gouvêa de Souza has been awarded several prizes and distinctions, such as the "Jabuti Award" in 1994 and the Caboré Marketing Prize in 1988. Mr. de Souza has a degree from the São Paulo Business School (Getulio Vargas University) and from the ESPM and has an MBA in Business Administration from FGV University. He was also a member of the board of directors of different Brazilian associations, including, among others, the Brazilian Franchise Association, the Retail Development Institute of São Paulo and the Ebeltoft Group.

Mr. Gouvêa's many years of service in officer positions with major public companies and his unique understanding of marketing and branding allow him to provide important expertise to the board of directors, particular as it relates to consumer behavior, marketing and sales.

Marcos Rocha has served as one of our directors since 2009. Mr. Rocha is currently the Chief Financial Officer of INVEPAR, a major infrastructure group in Brazil that operates toll roads, urban mobility systems and airports. He is also a member of the board of directors of the following companies on the INVEPAR group: Linha Amarela S.A., CART – Concessionaria Auto Raposo Tavares, Concessionaria Litoral Norte, Concessionária Bahia Norte, Concessionária Rota do Atlântico, Concessionária Transolimpica (toll road companies), GRU Airport (operator of São Paulo International Airport – Guarulhos), Guarulhos Participações (SPV that controls GRU Airport), PEX S.A (an electronic toll provider), Metrobarra (a SPV that will operate the Line 4 of the subway system in the city of Rio de Janeiro) and Instituto Invepar (sustainability arm of the INVEPAR group). In addition to that, he is also a member of Fiscal Council of Abril Educação (ABRE11: BM&F BOVESPA), a major education company. In the past Mr. Rocha held several financial and executive positions as officer in Shell Brasil, Cyanamid Quimica do Brasil, Brazil Fast Food Corp., Sony Music Entertainment, Global Telecom, Horizon Telecom International, Sendas (a major Brazilian supermarket), Unibanco and Globex (Ponto Frio - second largest household appliances retailer in Brazil). Mr. Rocha holds a degree in electronics engineering from IME (Militar School of Engineers), an MBA in Business Administration from

PUC/RJ, and an Executive MBA in Business Management from SDE/IBEMEC. Marcos Rocha is also a director at the IBEF-Rio (Brazilian Institute of Financial Executives).

Mr. Rocha's extensive financial experience with major companies and his service on the boards of an investment institution and service companies gives him a deep understanding of the financial and investment matters of a public company.

Executive Officers

Below is biographical information for our Chief Executive Officer and Chief Financial Officer, Mr. Ricardo Figueiredo Bomeny.

Ricardo Figueiredo Bomeny, 43, has been our Chief Executive Officer since January 2003 and our Chief Financial Officer since 2002. Prior to that date and beginning in 1991, Mr. Bomeny held several positions with us, including acting as our Chief Operating Officer. Mr. Bomeny has also worked for other companies in the fast food industry that operate in Brazil. Mr. Bomeny holds a degree in Business Administration from Candido Mendes University, Rio de Janeiro, an MBA in Corporate Finance from IBMEC, Rio de Janeiro, an MBA in Retail Trade from IBMEC, Rio de Janeiro and a post graduate Certificate in Marketing from PUC University, Rio de Janeiro. Ricardo Figueiredo Bomeny is the son of José Ricardo Bousquet Bomeny and the brother of Gustavo Figueiredo Bomeny.

Family Relationships

There are no familial relationships between our directors and executive officers.

Our Board of Directors and Corporate Governance

The Board of Directors develops our business strategy, establishes our overall policies and standards, and reviews the performance of management in executing our business strategy and implementing our policies and standards. We keep directors informed of our operations at meetings and through reports and analyses presented to the Board of Directors and committees of the Board. Significant communications between the directors and management also occur apart from meetings of the Board of Directors and committees of the Board.

The Board of Directors has no policy regarding the need to separate or combine the offices of Chairman of the Board and Chief Executive Officer and instead the Board of Directors remains free to make this determination from time to time in a manner that seems most appropriate

for the Company. Currently, the Company does not combine the positions of Chief Executive Officer and Chairman of the Board of Directors. Our Chairman of the Board is Guillermo Pisano. Mr. Pisano has no responsibilities as a principal executive officer with our Company.

Currently, the Company has not designated a lead independent director and executive sessions of the Board of Directors are presided over by the Chairman of the Board having authority over the subject matter discussed at the executive session, as appropriate. We believe this leadership structure is appropriate based on the Company's size and characteristics and its commitment to a strong, independent Board of Directors, exemplified by five out of five of its directors qualifying as an independent director.

Role of the Board of Directors; Risk Management

Our Board of Directors plays an active role in overseeing management and representing the interests of stockholders. Management, which is responsible for day-to-day risk management, conducts a risk assessment of our business annually. The risk assessment process is global in nature and has been developed to identify and assess our risks, including the nature of the risk, as well as to identify steps to mitigate and manage each risk. Oversight responsibility for each risk is allocated among the full Board of Directors and its committees, and specific Board of Directors and committee agendas are developed accordingly.

Meetings and Committees of the Board of Directors

The Board of Directors held seven meetings during the year ended December 31, 2012, and each of our directors attended all of those meetings. The Board of Directors has two standing committees, the Audit Committee and the Compensation Committee. The Board of Directors does not have a standing nominating committee. The Board of Directors believes that questions regarding the nomination of directors are better addressed by the Board of Directors as a whole. Therefore, our Board fulfills the duties of a standing nominating committee, which include:

- seeking and considering qualified candidates for election as directors;
- approving the appointment of each of our executive officers;
- periodically preparing and adopting new criteria for director nominees;
- reviewing matters involving our corporate governance;

- annually preparing a list of nominees for each committee of the Board; and
- annually facilitating an assessment of each director's performance without such director's participation in the assessment.

Audit Committee. The Audit Committee of our Board of Directors monitors the integrity of the financial statements produced by management, as well as periodic financial reports, Management's Discussion and Analysis reports and the earnings news releases, and is charged with the review of the activities of our independent auditors, including, but not limited to, establishing our audit policies, selecting or removing our independent auditors and overseeing the engagement of our independent auditors. The Audit Committee is comprised of Messrs. Pisano and Rocha and uses Mr. Montanini, a former director, as a permanent consultant. The Audit Committee held five meetings during the year ended December 31, 2012, and each of its members attended all of those meetings.

We are not a "listed company" under SEC rules, nor list our securities on a major national securities exchange. Therefore, our Audit Committee is not required to be made up of "independent" directors, nor are we required to have an audit committee charter. We also are not required to have an "audit committee financial expert" on our Audit Committee. Nevertheless, our Board of Directors has determined in 2012 that each of the members of our Audit Committee, which consists of Mr. Pisano and Mr. Rocha, is both an "independent" director" pursuant to Nasdaq Rule 5605(a)(2) (even though the Company's securities are not listed on the Nasdaq exchange market) and is able to read and understand fundamental financial statements and has substantial business experience that results in that member's financial sophistication. Accordingly, our Board of Directors believes that each of the members of the Audit Committee has the sufficient knowledge and experience necessary to fulfill the duties and obligation that a member of an Audit Committee should have. We presently do not have an audit committee charter.

Compensation Committee. The Compensation Committee of our Board of Directors reviews, evaluates and recommends appropriate compensation plans and programs for our directors, executives officers and key employees with the goals that such compensation will be competitive within the industry to attract and retain high-performing directors and employees and to be aligned with the Company's long-term interests and with its business mission and strategy. The Compensation Committee, which is currently composed of Messrs. Gouvea de Souza, Villela Filho and Pisano, held one meeting during the year ended December 31, 2012

with all of its members in attendance. We presently do not have a compensation committee charter.

Compliance with Section 16(a) of the Securities Exchange Act

The Company has deregistered its shares from SEC on October 22, 2012 and is no longer subject to Section 16(a) of the Securities Exchange Act.

Code of Ethics

We expect that the standards set forth in our Code of Ethics, which are applicable to our executive officers, directors and employees, will help us promote honest and ethical conduct, full, fair, accurate, timely and understandable disclosure, and compliance with applicable governmental rules and regulations. We will provide to any person without charge, upon written request, a copy of such Code of Ethics. Requests for copies should be sent to: Brazil Fast Food Corp., Rua Voluntários da Pátria,89, 9o. andar – Botafogo CEP 22.270-010, Rio de Janerio, Brazil.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information as of December 31, 2012 with respect to the beneficial ownership of our Common Stock by: (i) each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock; (ii) each of our Named Executive Officers and directors; and (iii) all executive officers and directors as a group.

As of December 31, 2012, the total number of our shares outstanding was 8,129,437. Unless otherwise indicated by footnote, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name [1]	Number of Shares Beneficially Owned [2]	Percent of Common Stock Beneficially Owned [3]	
Directors and Executive Officers			
Ricardo F. Bomeny	250,000	3.08	%
Guillermo Pisano	8,750	*	
Marcos Rocha	1,539	*	
Gilberto Tomazoni	0	*	
Gustavo Alberto Villela Filho	0	*	
Marcos Gouvêa de Souza	0	*	
All executive officers and directors as a group (6 persons)	260,289	3.20	%
5% Holders			
Rômulo B. Fonseca	2,842,032	34.96	%
José Ricardo B. Bomeny	1,848,265	22.74	%
Mexford Resources	830,000	10.21	%

* Less than one percent

(1) Unless otherwise noted, the business address of each of the following is Rua Voluntários da Pátria, 89, 9o. andar – Botafogo CEP 22.270-010, Rio de Janerio, Brazil.

(2) Includes shares of common stock which the person has the right to acquire within 60 days of December 31, 2012.

(3) Calculated in accordance with Rule 13d-3 under the Exchange Act, and based on 8,129,437 shares issued and outstanding at the close of business on December 31, 2012.

(4) Pursuant to a Shareholders' and Voting Trust Agreement (the "Agreement"), entered into on December 22, 2010, between Ricardo Figueiredo Bomeny, Jose Ricardo Bosquet Bomeny, Romulo Borges Fonseca and Gustavo Figueiredo Bomeny (collectively, the "Voting Shareholders"), and our Company, this individual belongs to a voting block of shares of our common stock which presently consists of an aggregate of 5,199,047 shares, or 64.0% of the total common stock beneficially owned, but may include securities convertible into shares of common stock which are acquired by the Voting Shareholders in the future. In accordance with the Agreement, the manner of voting the shares as a block must be approved by unanimous consent of all Voting Shareholders. Each Voting Shareholder has a right of first refusal to acquire any of the securities that partly constitute the voting block that any other given Voting Shareholder wishes to dispose of, which may be exercised within thirty (30) days from the date of receipt of a written offering notice from the offering Voting Shareholder. The term of the Agreement is three (3) years and is set to expire on December 22, 2013.

(5) Consists of 2,636,532 shares of common stock owned directly and 205,500 shares held indirectly through CCC Empreendimentos Participacoes Ltd., of which Mr. Fonseca is a principal.

(6) Consists of 1,418,001 shares of common stock directly owned, 100,000 shares held indirectly through Big Burger Lanchonetes Ltda., of which Mr. Bomeny is a principal, and 330,264 shares held indirectly through Alpha Centauri Ventures, Inc., of which Mr. Bomeny is a principal.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Since January 1, 2011, the company has not entered into any transaction with related parties that is required to be disclosed under Item 404(a) of Regulation S-K.

Transactions with related parties, including, but not limited to, members of the Board of Directors, are closely monitored by management and are reviewed and approved by our Audit Committee and Board of Directors. In the event a transaction with a member of the Board or an executive officer is contemplated, the director or executive officer having a beneficial interest in the transaction is not allowed to participate in the decision-making and approval process. The policies and procedures surrounding the review, approval or ratification of related party transactions are not in writing; nevertheless, such reviews, approvals and ratifications of related party transactions are documented in the minutes of the meetings of the Board of Directors.

Board Independence

In 2012, the Board had determined that the following directors are deemed "independent" pursuant to Nasdaq Rule 5605(a)(2) (even though the Company's securities are not listed on the Nasdaq exchange market): Guillermo Héctor Pisano, Gilberto Tomazoni, Gustavo Alberto Villela Filho, Marcos Rocha and Marcos Gouvêa de Souza.

Pre-Approval Policies and Procedures for Audit and Permitted Non-Audit Services

The Audit Committee will consider on a case-by-case basis, and, if appropriate, approve all audit and non-audit services to be provided by the Company's independent registered public accounting firm. Alternatively, the Audit Committee may adopt a policy for pre-approval of audit and permitted non-audit services by the independent registered public accounting firm. In 2011 and 2012, all audit-related services, tax services, and other services were approved by the Audit Committee, which concluded that the provision of such services by BDO was compatible with the maintenance of that firm's independence in the conduct of its audit functions. Tax services in the United States are outsourced. Our tax firm is Morrison, Brown, Argiz & Farra LLP, Certified Public Accountants & Consultants, from Miami, Florida.

CERTIFICATION

The undersigned hereby certifies that the information herein is true, complete, presented fairly, and correct to the best of their knowledge and belief.

BRAZIL FAST FOOD CORP.

Certified by: /s/ Ricardo Figueiredo Bomeny

Ricardo Figueiredo Bomeny

Chief Executive Officer and Acting Chief Financial Officer

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Brazil Fast Food Corp.

Rio de Janeiro, RJ

We have audited the accompanying consolidated balance sheet of Brazil Fast Food Corp. and subsidiaries as of December 31, 2012, and the related consolidated income, comprehensive income, changes in shareholders' equity and cash flow for each of the year in the three year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Brazil Fast Food Corp. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flow for each of the year in the three year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

The amounts related to the period closed on December 31, 2011, presented for comparison purposes, were previously audited by other independent auditors, who issued a report dated April 25, 2012, without exception.

/s/ BDO Auditores Independentes

BDO Auditores Independentes

Rio de Janeiro, Brazil

March 15, 2012

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - ASSETS

(In thousands of Brazilian Reais, except share amounts)

	December 31,			
	2012		2011	
CURRENT ASSETS:				
Cash and cash equivalents (note 3)	R$	32,062	R$	21,357
Inventories		3,228		3,985
Accounts receivable (note 4)		25,754		17,106
Prepaid expenses		892		3,478
Advances to suppliers		2,092		1,500
Receivables from properties sale (notes 5 and 20.b)		-		3,523
Other current assets (notes 5 and 20.b)		6,601		4,083
TOTAL CURRENT ASSETS		70,629		55,032
Property and equipment, net (note 6)		39,414		31,342
Intangible assets, net (note 7)		8,280		4,472
Deferred tax asset (note 11)		8,565		8,378
Goodwill (note 2)		1,121		799
Other receivables and other assets (notes 5 and 20.b)		13,667		10,862
TOTAL ASSETS	R$	141,676	R$	110,885

The accompanying notes are an integral part of the consolidated financial statements.

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS – LIABILITIES AND STOCKHOLDERS' EQUITY

(In thousands of Brazilian Reais, except share amounts)

CURRENT LIABILITIES:				
Notes payable (note 8)	R$	14,523	R$	11,523
Accounts payable and accrued expenses (note 9)		13,834		11,608
Payroll and related accruals		4,782		5,618
Taxes		7,848		5,020
Current portion of deferred income tax (note 11)		-		1,262
Current portion of deferred income (note 12b)		3,398		1,118
Current portion of contingencies and reassessed taxes (note 12c)		2,090		1,940
TOTAL CURRENT LIABILITIES		46,475		38,089
Deferred income, less current portion (note 12b)		1,608		4,057
Notes payable, less current portion (note 8)		6,397		5,068
Contingencies and reassessed taxes, less current portion (note 12c)		18,472		18,215
Other liabilities (note 13)		3,093		-
TOTAL LIABILITIES		76,045		65,429
EQUITY				
SHAREHOLDERS' EQUITY:				
Preferred stock, \$.01 par value, 5,000 shares authorized; no shares issued		-		-
Common stock, \$.0001 par value, 12,500,000 shares authorized; 8,472,927 shares issued for both years 2012 and 2011; 8,129,437 shares outstanding for both years 2012 and 2011		1		1
Additional paid-in capital		61,148		61,148
Treasury Stock (343,490 shares)		(2,060)		(2,060)
Accumulated Deficit		3,527		(16,092)
Accumulated comprehensive loss		(1,115)		(1,128)
TOTAL SHAREHOLDERS' EQUITY		61,501		41,869
Non-Controlling Interest		4,130		3,587
TOTAL EQUITY		65,631		45,456
TOTAL LIABILITIES AND EQUITY	R$	141,676	R$	110,885

The accompanying notes are an integral part of the consolidated financial statements.

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(in thousands of Brazilian Reais, except share amounts)

	Year Ended December 31,		
	2012	2011	2010
REVENUES			
Net Revenues from Own-operated Restaurants	*R$ 178,107*	*R$ 170,249*	*R$ 154,591*
Net Revenues from Franchisees	45,315	35,223	28,386
Net Revenues from Trade Partners	22,184	19,191	21,104
Other Income	2,289	2,130	2,198
TOTAL REVENUES	*247,895*	*226,793*	*206,279*
OPERATING COST AND EXPENSES			
Store Costs and Expenses (note 19)	(158,252)	(153,130)	(142,950)
Franchise Costs and Expenses (note 19)	(15,650)	(11,704)	(10,718)
Marketing Expenses	(5,472)	(4,326)	(5,054)
Administrative Expenses (note 15)	(33,636)	(31,993)	(28,074)
Other Operating Expenses (note 16)	(5,584)	(7,637)	(7,644)
Impairment of assets	-	(1,883)	-
Net result of assets sold	(411)	310	7,367
TOTAL OPERATING COST AND EXPENSES	*(219,005)*	*(210,363)*	*(187,073)*
OPERATING INCOME	28,890	16,430	19,206
Interest Expense, net (note 17)	(467)	1,297	(1,606)
NET INCOME BEFORE INCOME TAX	28,423	17,727	17,600
Income taxes - deferred (note 11)	1,089	(2,432)	(4,057)
Income taxes - current (note 11)	(7,552)	(4,629)	(2,278)
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	21,960	10,666	11,265
Net (income) loss attributable to non-controlling interest	(1,252)	(1,812)	384
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 20,708	R$ 8,854	R$ 11,649
NET INCOME LOSS PER COMMON SHARE BASIC AND DILUTED	R$ 2.55	R$ 1.09	R$ 1.43
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: BASIC AND DILUTED	8,129,437	8,130,717	8,137,762

The accompanying notes are an integral part of the consolidated financial statements.

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands of Brazilian Reais)

	Year Ended December 31,					
	2012		2011		2010	
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$	20,708	R$	8,854	R$	11,649
Other comprehensive income (loss):						
Foreign currency translation adjustment		13		(37)		(14)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$	20,721	R$	8,817	R$	11,635

The accompanying notes are an integral part of the consolidated financial statements.

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Brazilian Reais, except share amounts)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Accumulated Comprehensive Loss	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Par Value							
Balance, December 31, 2009	8,137,762	R$ 1	R$ 61,148	R$ (1,946)	R$ (33,021)	R$ (1,077)	R$ 25,105	R$ 1,179	R$ 26,284
Net income	-	-	-	-	11,649	-	11,649	(384)	11,265
Non-Controling Paid in Capital							-	109	109
Paid dividend	-	-	-	-	(3,574)	-	(3,574)	-	(3,574)
Cumulative translation adjustment	-	-	-	-	-	(14)	(14)		(14)
Balance, December 31, 2010	8,137,762	R$ 1	R$ 61,148	R$ (1,946)	R$ (24,946)	R$ (1,091)	R$ 33,166	R$ 904	R$ 34,070
Net income	-	-	-	-	8,854	-	8,854	1,812	10,666
Non-Controlling Paid in Capital - Doggis'	-	-	-	-	-	-	-	871	871
Acquisition of Company´s own shares	(8,325)	-	-	(114)	-	-	(114)	-	(114)
Cumulative translation adjustment	-	-	-	-	-	(37)	(37)	-	(37)
Balance, December 31, 2011	8,129,437	R$ 1	R$ 61,148	R$ (2,060)	R$ (16,092)	R$ (1,128)	R$ 41,869	R$ 3,587	R$ 45,456
Effect of exchange of shares (notes 2 and 5)	-	-	-	-	(1,089)	-	(1,089)	91	(998)
Net income	-	-	-	-	20,708	-	20,708	1,252	21,960
Minority dividend paid by IRB	-	-	-	-	-	-	-	(800)	(800)
Cumulative translation adjustment	-	-	-	-	-	13	13	-	13
Balance, December 31, 2012	8,129,437	R$ 1	R$ 61,148	R$ (2,060)	R$ 3,527	R$ (1,115)	R$ 61,501	R$ 4,130	R$ 65,631

The accompanying notes are an integral part of the consolidated financial statements.

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of Brazilian Reais)

	Year Ended December 31,		
	2012	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES:			
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 20.708	R$ 8.854	R$ 11.649
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	7.452	7.240	6.466
(Gain) Loss on assets sold and impairment of assets	411	1.573	(7.367)
Deferred income tax asset	(187)	3.614	1.605
Deferred income tax liability	(1.262)	(1.190)	2452
Non-controlling interest	1.252	1.812	(384)
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(8.648)	(1.176)	(5.588)
Inventories	757	(531)	308
Prepaid expenses and other current assets	(524)	(1.036)	(1.570)
Other assets	(2.805)	946	(860)
(Decrease) increase in:			
Accounts payable and accrued expenses	2.226	(14.240)	9.573
Payroll and related accruals	(836)	(953)	1.903
Taxes	2.828	84	1.293
Other liabilities	3.500	(755)	171
Deferred income	(169)	1.480	(3.218)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	24.703	5.722	16.433
CASH FLOW FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(17.974)	(9.116)	(5.110)
Yoggi acquisiton (note 2)	(2.000)	-	-
Exchange of shares (notes 2 and 4)	(1.089)	-	-
Proceeds from sale of property, equipment and deferred charges	3.523	4.777	4.002
CASH FLOWS USED IN INVESTING ACTIVITIES	(17.540)	(4.339)	(1.108)
CASH FLOW FROM FINANCING ACTIVITIES:			
Net Borrowings (Repayments) under lines of credit	4.329	2.512	(8.354)
Acquisition of Company's own shares	-	(114)	-
Non-contoling paid in capital	-	871	109
Dividend paid	-	-	(3.574)
Non-contoling dividend paid by IRB	(800)	-	-
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	3.529	3.269	(11.819)
EFFECT OF FOREIGN EXCHANGE RATE	13	(37)	(14)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10.705	4.615	3.492
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21.357	16.742	13.250
CASH AND CASH EQUIVALENTS AT END OF YEAR	R$ 32.062	R$ 21.357	R$ 16.742

See note 10 for supplementary cash flow information.

The accompanying notes are an integral part of the consolidated financial statements.

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in Brazilian Reais, unless otherwise stated)

1 BUSINESS AND OPERATIONS

Brazil Fast Food Corp. (the "Company") was incorporated in the state of Delaware on September 16, 1992.

In December 2006, the Company established a holding company in Brazil called BFFC do Brasil Participações Ltda. ("BFFC do Brasil", formerly 22N Participações Ltda.), to consolidate all its business in the country and allow the Company to pursue its multi-brand program, as discussed below:

BOB'S TRADEMARK

During 1996, the Company acquired 100.0% of the capital of Venbo Comercio de Alimentos Ltda. ("Venbo"), a Brazilian limited liability company which conducts business under the trade name "Bob's", and owns and operates, both directly and through franchisees, a chain of hamburger fast food restaurants in Brazil.

In 2011, three of Venbo's own-operated restaurants were transferred to two newly affiliated companies, LM Comércio de Alimentos Ltda. and PCN Comércio de Alimentos Ltda., both subsidiaries of BFFC do Brasil, in order to enhance these stores' results through the inclusion of a minor partner directly responsible for their operation.

KFC TRADEMARK

During the first quarter of 2007, the Company reached an agreement with Yum! Brands, owner of the KFC brand. By this agreement, BFFC do Brasil, through its subsidiary CFK Comércio de Alimentos Ltda. ("CFK", formerly Clematis Indústria e Comércio de Alimentos e Participações Ltda.), started to conduct the operations of four directly owned and operated KFC restaurants in the city of Rio de Janeiro as a Yum! Brands franchisee, and took over the management, development and expansion of the KFC chain in Brazil. CFK started its activities on April 1, 2007.

During 2011, some of CFK's own-operated restaurants in Sao Paulo were transferred to two newly affiliated companies, CFK São Paulo Comércio de Alimentos Ltda. ("CFK SP") and MPSC Comércio de Alimentos Ltda. ("MPSC"). Both CFK SP and MPSC are newly affiliated companies and subsidiaries of BFFC do Brasil, created in order to enhance these four stores' results through the inclusion of two minor partners (one for each new affiliate) which are directly responsible for the stores' operations.

Suprilog Logística Ltda. ("Suprilog"), which used to warehouse equipment and spare parts and provide maintenance services for the Company's own-operated restaurants, changed its business purpose during 2011. FCK Comércio de Alimentos Ltda. ("FCK", formerly Suprilog) became responsible for developing and expanding the KFC chain in Brazil, but, currently, is a non-operating company.

On May 3, 2012, Brazil Fast Food and Yum! Restaurants International (YRI) announced the satisfactory completion of the first phase of their efforts to expand the KFC and Pizza Hut brands in Brazil, pursuant to which the Company was engaged to provide franchise support services for KFC and Pizza Hut franchisees and to develop these brands, upon their reentry to Brazil.

Accordingly, as of May 2012, YRI started to directly manage its franchise business in Brazil, supporting the KFC business in Brazil.

YRI and BFFC will remain close partners as BFFC continues to contribute to the development of the KFC brand as a KFC franchisee focused on Rio de Janeiro and São Paulo.

PIZZA HUT TRADEMARK

In 2008, the Company reached an agreement with Restaurants Connection International Inc. ("RCI") to acquire, through its wholly-owned holding subsidiary, BFFC do Brasil, 60% of Internacional Restaurantes do Brasil ("IRB"), which operates Pizza Hut restaurants in the city of São Paulo as a Yum! Brands franchisee. The remaining 40% of IRB is held by another Brazilian company of which IRB's current CEO is the main stockholder.

In connection with this acquisition, the Company recorded R$799 as Goodwill, which represents the excess of cost over IRB's net tangible assets and identifiable intangible assets.

IRB also operates a coffee concept brand called “In Bocca al Lupo Café”, which has four stores in São Paulo city.

In May 2012, YRI started to directly manage its franchise business in Brazil, supporting Pizza Hut businesses in Brazil from its Restaurant Support Center in São Paulo. However, BFFC will still continue to contribute to the development of the Pizza Hut brand as a Pizza Hut franchisee, with operations in the São Paulo metropolitan area.

DOGGIS TRADEMARK

In October 2008, the Company reached an agreement with Gastronomía & Negocios Sociedad Anonima (“G&N”, formerly Grupo de Empresas Doggis Sociedad Anonima), one of the fast food leaders in Chile and the owner of the “Doggis” hot-dog chain, where it has 150 stores.

By this agreement, BFFC do Brasil would establish a Master Franchise to manage, develop and expand the Doggis hot-dog chain in Brazil through own-operated restaurants and franchisees, and G&N would establish a Master Franchise to manage, develop and expand the Bob’s hamburger chain in Chile through own-operated restaurants and franchisees.

The Master Franchise established in Brazil was named DGS Comercio de Alimento S.A. (“DGS”) and the Master Franchise established in Chile was named BBS S.A. (“BBS”). According to this agreement, BFFC do Brasil would own 20% of BBS and G&N owned 20% of DGS.

During the third quarter ended September 30, 2012, the original agreement was reviewed, subsequent to which BFFC acquired the remaining 20% of DGS’s capital shares from G&N in exchange for 20% of BBS’s capital shares, which were accordingly transferred to G&N.

Currently, the Company owns 100% of DGS and continues to develop the Doggis trade mark in Brazil. G&N owns 100% of BBS’s capital shares and will continue to develop the Bob’s trade mark in Chile.

To reflect this exchange of interest, the Company recorded a gain of R$470,000 in the Consolidated Statements of Operations for the twelve-month period ended December 31, 2012 and recorded R$1,089,000 as retained losses related to the accumulated losses from DGS that were previously recognized as non-controlling interests.

YOGGI TRADEMARK

In May 2012, the Company acquired Yoggi do Brasil Ltda (“Yoggi”), which has operated a frozen yogurt franchise network in Brazil since 2008, with 48 franchised points of sales.

The Company acquired 100% of Yoggi’s equity for R$2 million and in connection with such acquisition, the Company has recorded approximately R$1.9 million as excess a preliminary allocation of purchase price over net book value of assets acquired. In order to determine fair value of goodwill at Yoggi acquisition, the Company allocated R$1,578 thousand as fair value of Yoggis’s intangible assets (determined by independent consultants) against an increase of Yoggi equity (see note 7).

The results of the operations have been included in the consolidated financial statements beginning at the acquisition date. The aggregate value ascribed to the assets acquired is as follows:

Current assets	252,000
Equipment and machinery	68,000
Intangible assets	1,578,000
Goodwill	322,000
	2,220,000

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Generally Accepted Accounting Principles ("GAAP")

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Unless otherwise specified, all references in these financial statements to (i) "reais," the "real" or "R$" are to the Brazilian *real* (singular), or to the Brazilian *reais* (plural), the legal currency of Brazil, and (ii) "U.S. dollars" or "$" are to United States dollars.

See note 23 for other GAAP references.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Geographic area of operations

The Company primarily operates, directly and through franchisees, point of sales in all Brazilian states (primarily in Rio de Janeiro and São Paulo). Besides the Brazilian operations, the Company is also present, through Bob's franchisees, in Angola, Africa, and Chile, South America. These operations are not material to our overall results. The operation in Brazil is susceptible to changes in Brazilian economic, political, and social conditions. Brazil has experienced political, economic and social uncertainty in recent years, including an economic crisis characterized by exchange rate instability and Real devaluation, increased inflation, high domestic interest rates, negative economic growth, reduced consumer purchasing power and high unemployment. Under its current leadership, the Brazilian government has been pursuing economic stabilization policies, including the encouragement of foreign trade and investment and an exchange rate policy of free market flotation. Despite the ongoing improvement of Brazilian economic environment, no assurance can be given that the Brazilian government will continue to pursue these policies, that these policies will be successful if pursued or that these policies will not be significantly altered.

A decline in the Brazilian economy, political or social problems or a reversal of Brazil's foreign investment policy is likely to have an adverse effect on the Company's results of operations and financial condition. Additionally, inflation in Brazil may lead to higher wages and salaries for employees and increase the cost of raw materials, which would adversely affect the Company's profitability.
Risks inherent in foreign operations include nationalization, war, terrorism and other political risks and risks of increases in foreign taxes or U.S. tax treatment of foreign taxes paid and the imposition of foreign government royalties and fees.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its (directly and indirectly) subsidiaries.

The wholly-owned subsidiaries of the Company as of December 31, 2011 are BFFC do Brasil, Venbo, PCN, LN, CFK-RJ, CFK-SP, FCK, MPSC, DGS and Yoggi. As discussed at note 1, the Company also owns a 60% capital interest in IRB.

IRB is also consolidated and figures related to its non-controlling interests are stated in the Company´s equity and income.

The Company´s investment of 20% capital interest in BBS is immaterial and measured at acquisition cost.

All intercompany accounts and transactions have been eliminated in consolidation. The Company has no involvement with variable interest entities.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. The goodwill impairment test is a two step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of

that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

The Company's goodwill results from the acquisition of 60% of IRB's equity as well as the acquisition of 100% of Yoggi.

Management requested third-party assistance in obtaining the fair value of IRB's and Yoggi long lived assets acquired as per FASB ASC "Business Combinations"

Excess fair value over recognized acquired assets and liabilities was recognized as goodwill, at an amount of R$1.1 million in December, 2012 as non-current assets, comprised of R$799 thousand allocated to IRB unit and R$322 thousand allocated to Yoggi unit.

An annual goodwill impairment test is conducted in the fourth quarter, comparing the fair value of a reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If goodwill is determined to be impaired, the loss is measured by the excess of the carrying amount of the reporting unit over its fair value. Company's annual goodwill impairment test did not result in any impairment loss.

Foreign currency

Assets and liabilities recorded in functional currencies other than Brazilian Reais are translated into Brazilian Reais at the prevailing exchange rate as reported by the Central Bank of Brazil as of the balance sheet date. Revenues and expenses are translated at the weighted-average exchange rates for the year. The resulting translation adjustments are recognized in other comprehensive income. Gains or losses from foreign currency transactions, such as those resulting from the settlement of receivables or payables denominated in foreign currency, are recognized in the consolidated statement of operations as they occur.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable consist primarily of receivables from food sales, franchise royalties and assets sold to franchisees.

As of December 31, 2012 the Company has approximately approximately 952 franchised points of sales. A few of them may undergo financial difficulties in the course of their business and may therefore fail to pay their monthly royalty fees.

In July 2010, the FASB issued ASU 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which significantly increases disclosures about credit quality of financing receivables and the allowance for credit losses, and requires disclosures to be made at a greater level of disaggregation. The amendments in ASU 2010-20 encourage, but do not require, comparative disclosures for earlier reporting periods that ended before initial adoption. The adoption of this guidance in 2011 only resulted in increased disclosures related to the Company's notes receivable.

If a franchisee fails to pay its invoices for more than six months in a row, one of the following procedures is adopted: either (i) the franchisee's accounts receivable are written off if the individual invoices are below R$5,000; or (ii) the Company records an allowance for doubtful accounts with a corresponding reduction in net revenues from franchisees, if the individual invoices are over R$5,000.

In addition, the Company recognizes an allowance for doubtful receivables to cover any amounts that may be unrecoverable based upon an analysis of the Company's prior collection experience, customer creditworthiness and current economic trends. After all attempts to collect a receivable have failed, the receivable is written off against this allowance.

Despite writing-off those receivables on the accounting books or recording an allowance for doubtful accounts, the finance department keeps records of all uncollected receivables from franchisees for purposes of commercial negotiations.

When a franchisee has past due accounts due to unpaid royalty fees, the Company may reassess such debts with the franchisee and collect them in installments. The Company may also intermediate the sale of the franchise business to another franchisee (new or owner of another franchised store) and reschedule such accounts receivable as part of the purchase price. When either kind of agreement is reached and collectability of the past due amounts is reasonably assured, the Company records these amounts as "Franchisees - renegotiated past due accounts".

Inventories

Inventories, primarily consisting of food, beverages and supplies, are stated at the lower of cost or market. Cost of inventories is determined using the weighted-average cost method.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation on property and equipment is recognized using the straight-line method over the following estimated useful lives of the related assets:

	Years
Buildings and building improvements	50
Leasehold improvements	4 - 10
Machinery and equipment	10-15
Furniture and fixtures	10-15
Software	3 – 5
Vehicles	5

Intangible assets

Intangible assets, which are comprised of (i) leasehold premiums paid in advance for rented outlet premises and (ii) initial franchise fees, are stated at cost, less accumulated amortization. Leasehold premiums related to unprofitable stores are written off (iii) trade mark and franchised contracts acquired with the Yoggi acquisition.

The amortization periods, which range from 5 to 20 years, are based on management's estimate of the related rental or franchise contracts including renewal options, which are solely under the discretion of the Company.

Preopening costs

Labor costs and the costs of hiring and training personnel and certain other costs relating to the opening of new restaurants are expensed as incurred.

Revenue recognition

Restaurant sales revenue is recognized when purchase in the store is concluded.

Initial franchise fee revenue is recognized when all material services and conditions relating to the franchise have been substantially performed or satisfied which normally occurs when the restaurant is opened. Monthly royalty fees equivalent to a percentage of the franchisees' gross sales are recognized in the month when they are earned.

Revenues from trade partners' agreements are recognized as a credit in our statements of operations under "revenues from trade partners". Such revenue is recorded when cash from trade partners is received, since it is difficult to estimate the receivable amount and significant doubts about its collectability exists until the trade partner agrees with the exact amount.

When revenues from trade partners' agreements are received in advance in cash, it is recognized as deferred income and is charged to income on a straight line basis over the term of the related trade partner agreement on a monthly basis. Income obtained by lease of any of the Company's properties, by administration fees on marketing fund and nonrecurring gains are recognized as other income when earned and deemed realizable.

The relationship between the Company and each of its franchisees is legally bound by a formal contract, where each franchisee agrees to pay monthly royalty fees equivalent to a percentage of its gross sales. The formal contract and the franchisees' sales (as a consequence of their business) meet three of the four revenue recognition requirements:

- *Persuasive evidence that an arrangement exists* — the contract is signed by the franchisee;
- *Delivery has occurred or services have been rendered* — franchisee sales are the basis of royalty revenues;
- *The seller's price to the buyer is fixed or determinable* — the contract states that royalties are a percentage of the franchisee's gross sales;

The Company also meets the fourth requirement for revenue recognition *(Collectability is reasonably assured)* when recording its revenues. If a franchisee fails to pay its invoices for more than six months in a row, the Company does not stop invoicing the contracted amounts. However, in such cases the Company offsets any additional invoiced amounts with a corresponding full allowance for doubtful accounts.

For purposes of internal and tax reporting, the Company's subsidiaries record their revenues gross of taxes on sales, since in Brazil these taxes are included both in sales prices and in royalty fees. In addition, due to specific tax rules in Brazil, local companies are required to account for sales even when they are canceled, by recording a separate caption in the general ledger to offset the original sales amount recorded. However, for financial reporting purposes, the Company presents its revenues net of taxes and net of canceled sales (when costumer gives up his order, after it has been printed at the cashier). The following tables show gross sales, sales deductions and reported revenues:

R$ 000'	Year Ended December 31,		
	2012	2011	2010
Gross Revenues - Own Operated Restaurants	198,514	189,755	172,866
(-) Tax on revenues	(19,828)	(19,098)	(17,920)
(-) Canceled Sales	(579)	(408)	(355)
Net Revenues from Own-operated Restaurants	178,107	170,249	154,591

R$ 000'	Year Ended December 31,		
	2012	2011	2010
Gross Revenues from franchisees	50,718	40,461	32,869
(-) Tax on revenues	(5,403)	(5,238)	(4,483)
Net Revenues from Franchisees	45,315	35,223	28,386

R$ 000'	Year Ended December 31,		
	2012	2011	2010
Gross Revenues from trade partners	23,317	20,045	22,505
(-) Tax on revenues	(1,133)	(854)	(1,401)
Net Revenues from Trade Partners	22,184	19,191	21,104

Marketing Expenses

Bob´s Brand

According to our franchise agreements, the Bob's marketing fund dedicated to advertising and promotion is comprised of financial contributions paid by the franchisees and own-operated restaurants. The Company manages the fund which must be used in the common interest of the Bob's chain, through the best efforts of our marketing department to increase restaurant sales.

The marketing amounts due from franchisees are billed monthly and recorded on an accrual basis. A corresponding amount is recorded as a liability.

In general, Bob's franchisees monthly contribute with 4.0% of their monthly gross sales to the Bob's marketing fund. Since 2006, we have also contributed 4.0% of our gross sales from own-operated restaurant monthly gross sales (sales derived from special events are not subject to such contribution). These contributions can be deducted from our marketing department expenses if previously agreed with our franchisees. However, total marketing investments may be greater than 4.0% of combined sales if a supplier makes an extra contribution (joint marketing programs) or if we use more of our own resources on marketing, advertising and promotions.

We primarily invest the Bob's marketing fund resources in nationwide advertising programs (commercials or sponsorship on TV, radio and outdoors). Our franchisees may also invest directly in advertising and promotions for their own stores, upon previous consent from us.

The Bob's marketing fund resources are not required to be invested during the same month or year that they were received, but must be used in subsequent periods.

Periodically, we meet with the Bob's Franchisee Council to divulge the marketing fund accounts in a report that is similar to a cash flow statement. This statement discloses the marketing contributions received and the marketing expenses, both on a cash basis.

The balance of any resources from the marketing fund that was not spent is recognized as accrued accounts payable and totaled R$2.1 million as of December 30, 2012 (R$3.1 million as of December 31, 2011). This balance represents contributions made by Venbo and franchisees that have not yet been used in campaigns.

The marketing fund expenses on advertising and promotions are recognized as incurred. Total marketing investments financed by the marketing fund amounted to R$41.5 million, R$38.8 million and R$19.9 million for the twelve-month periods ended December 31, 2012, 2011 and 2010, respectively.

KFC and Pizza Hut Brands

We contribute 0.5% of KFC's and Pizza Hut's monthly net sales into a marketing fund managed by YUM! Brands - Brazil. In addition, the Company is also committed to investing 5.0% of KFC's and Pizza Hut's monthly net sales in local marketing and advertising.

The marketing expenses on KFC and Pizza Hut advertising and promotions are recognized as incurred and amounted R$8.1 million, R$ 5.3 million and R$4.7 million for the twelve-month periods ended December 31, 2012, 2011 and 2010, respectively.

Doggis Brand

We are committed to invest at least 4% of the Doggis restaurant sales in local marketing expenses. There is no contribution to a marketing fund.

Local marketing expenses on Doggis advertising and promotions are recognized as incurred and amounted R$0.1 million, R$0.1 million and R$0.3 million for the twelve-month periods ended December 2012, 2011 and 2010.

Income taxes

The Company accounts for income tax in accordance with guidance provided by the FASC ASC on Accounting for Income Tax. Under the asset and liability method set out in this guidance, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities on the financial statements and their respective tax basis and operating loss carry-forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The valuation allowance reflects the Company's assessment of the likelihood of realizing the net deferred tax assets in view of current operations and is comprised of tax loss carryfowards held by the Company through the

portion of its subsidiaries' tax losses which are greater than the respective projected taxable income.

Under the above-referred guidance, the effect of a change in tax rates or deferred tax assets and liabilities is recognized in income in the period they are enacted.

The effect of income tax positions are recorded only if those positions are "more likely than not" of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Although we do not currently have any material charges related to interest and penalties, such costs, if incurred, are reported within the provision for income taxes.

Impairment or Disposal of Long-lived assets

The Company adopted guidance on the impairment or disposal of long-lived assets in the FASB ASC Topics Property Plant and Equipment and Intangibles Other than Goodwill, which require an impairment loss shall be recognized if the carrying amount of a long-lived asset is not recoverable and its carrying amount exceeds its fair value. Also, such guidance require that long-lived assets being disposed of be measured at either the carrying amount or the fair value less cost to sell, whichever is lower, whether reported in continuing operations or in discontinued operations.

If an indicator of impairment (e.g. negative operating cash flows for the most recent trailing twelve-month period) exists for any group of assets, an estimate of undiscounted future cash flows produced by each restaurant within the asset grouping is compared to its carrying value. If any asset is determined to be impaired, the loss is measured by the excess of the carrying amount of the asset over its fair value as determined by an estimate of discounted future cash flows.

For purposes of impairment testing for our long-lived assets, we have concluded that an individual point of sale is the lowest level of independent cash. The Company reviews long-lived assets of such individual point of sales (primarily Property & Equipment and allocated intangible assets subject to amortization) that are currently operating annually for impairment, or whenever events or changes in circumstances indicate that the carrying amount of a point of sale may not be recoverable. The Company evaluates recoverability based on the point of sale's forecasted undiscounted cash flows, which incorporate the best estimate of sales growth and margin

improvement based upon our plans for the unit and actual results at comparable point of sales. For point of sales' assets that are deemed to not be recoverable, we write down the impaired point of sale to its estimated fair value. Key assumptions in the determination of fair value are the future discounted cash flows of the point of sales. The discount rate used in the fair value calculation is our estimate of the Company´s weighted average cost of capital. Estimates of future cash flows are highly subjective judgments and can be significantly impacted by changes in the business or economic conditions.

During 2011, our review in accordance with such guidance derived charge in the amount of R$1,883,000 to the income statement. The breakdown of impairment charge is as follows:

Brand	**Impairment amount R$ 000'**
KFC	605
Pizza Hut	205
Bob's	165
Doggis'	908
Total	1,883

During the years ended December 31, 2012 and 2010, our review in accordance with such guidance derived no charge to the income statement.

Doggis' brand impairment charges represented a significant portion of the Company´s long lived assets allocated to such brand. As discussed previously in this report, during 2011, the Company reviewed its strategy of Doggis Business and converted all of its own-operated stores to franchisees. Accordingly, the significant impairment charges of Doggis' brand reflects the review of future cash flows considering this new scenario.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the

amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed based on weighted average shares outstanding and excludes any potential dilution; Diluted EPS reflects potential dilution from the exercise or conversion of securities into common stock or from other contracts to issue common stock. There were no common share equivalents outstanding as of December 31, 2012, 2011 and 2009 that would have had a dilutive effect on earnings for those respective years.

Fair Value Measurements

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements,* which provides additional disclosures for transfers in and out of Levels I and II and for activity in Level III. This ASU also clarifies certain other existing disclosure requirements including level of desegregation and disclosures around

inputs and valuation techniques. The adoption of ASU 2010-06 did not have a material effect on the Company's consolidated financial statements.

Recently issued accounting standards

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. The Company will implement the provisions of ASU 2011-11 as of January 1, 2013.

In September 2011, the FASB issued ASU 2011-08, *Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This ASU permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test. The adoption of ASU 2011-08 in 2012 did not have an effect on the Company's consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* Under this ASU, an entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The ASU eliminates the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. An entity should apply the ASU retrospectively. In December 2011, the FASB decided to defer the effective date of those changes in ASU 2011-05 that relate only to the presentation of reclassification adjustments in the statement of income by issuing ASU 2011-12, *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive income in Accounting Standards Update 2011-05.* The adoption of ASU 2011-05 in 2012 did not have an effect on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. The adoption of ASU 2011-04 in 2012 did not have an effect on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, *Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts, a consensus of the FASB Emerging Issues Task Force (Issue No. 10-A*). ASU 2010-28 modifies Step 1 of the goodwill impairment test under ASC Topic 350 for reporting units with zero or negative carrying amounts to require an entity to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are adverse qualitative factors in determining whether an interim goodwill impairment test between annual test dates is necessary. The adoption of ASU 2010-28 in 2012 did not have a material impact on its consolidated financial statements.

In October 2009, the FASB issued Accounting Standards Update (ASU) 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements (EITF Issue No. 08-1, "Revenue Arrangements with Multiple Deliverables"). ASU 2009-13 amends FASB ASC Subtopic 605-25, Revenue Recognition — Multiple-Element Arrangements, to eliminate the requirement that all undelivered elements have vendor specific objective evidence of selling price (VSOE) or third party evidence of selling price (TPE) before an entity can recognize the portion of an overall arrangement fee that is attributable to items that already have been delivered. In the absence of VSOE and TPE for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements. The overall arrangement fee will be allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or TPE or are based on the entity's estimated selling price. Application of the "residual method" of allocating an overall arrangement fee between delivered and undelivered elements will no longer be permitted upon adoption of ASU 2009-13. Additionally, the new guidance will require entities

to disclose more information about their multiple-element revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The adoption of ASU 2009-13 in 2011 did not have an effect on the Company's consolidated financial statements.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

R$'000	December 31,	
	2012	2011
Cash at point of sales	R$ 1,302	R$ 858
Cash with money collectors	183	460
Bank accounts	3,797	4,807
Investments funds (a)	26,780	15,232
	R$ 32,062	R$ 21,357

Bank accounts include an amount of R$41,000 (R$476,000 in 2011) which is deposited in a financial institution located in the U.S.A. and the remaining balance in financial institutions located in Brazil.

(a) The Company invests its temporary excess cash in financial funds linked, in their majority, to fixed-income securities, with original maturities of less than three months.

4 ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following:

R$'000	December 31,			
	2012		2011	
Clients - food sales	R$	6,598	R$	5,574
Franchisees - current accounts		11,352		6,064
Franchisees - renegotiated past due accounts		1,465		939
Franchisees - receivable from sales of assets		302		457
Franchisees - marketing fund receivable		6,257		4,873
Allowance for doubtful accounts		(220)		(801)
	R$	25,754	R$	17,106

Clients – food sales includes receivables from the sale of products at the Company's own-operated restaurants, basically from credit card operators. The receivable balance in the "Clients – food sales" account is measured as the realizable value, mainly from credit card companies. As the likelihood of losses is small, no allowance is recorded.

Franchisees – current accounts includes accrued royalties, receivable from franchisees, whose receipt follows a predictable flow as the payment dates stipulated in the contracts are reached.

Franchisees – renegotiated past due accounts includes accrued royalties and marketing fund contributions, receivable from contracts that have been renegotiated with franchisees that were previously in arrears. Basically, these renegotiations extend the maturity over which the debt is to be repaid, including interest and inflation adjustments. These renegotiated past due accounts receivable are recorded only when their collectability is deemed reasonably assured.

Franchisees – receivables from sales of assets includes sales of machinery and equipment used in fast food operations. It can also include the sale of the business from one franchisee previously in arrears to a new franchisee approved by the Company in order to extinguish its debt with the Company. In this case, the receivable is assigned to the new franchisee.

Franchisees – marketing fund receivable includes the amounts related to marketing fund contributions, receivable from franchisees, whose receipt follows a predictable flow as the payment dates stipulated in the contracts are reached.

Management recognizes an allowance for doubtful accounts for receivables from franchisees, based on the following criteria:

According to US GAAP, the assessment of balances to be included in accounts receivable should always be based on their expected net realizable value. This assessment should take into account the characteristics of the receivable itself, i.e. its capacity to generate future benefits for the Company.

Management makes periodic, itemized analyses of the allowance for doubtful accounts, by reviewing all accounts that are overdue for more than 180 days. Based on this, an allowance is recognized based on management's best estimate of potential losses in the realization of the overdue receivables. This analysis is based on the following criteria:

(a) significant financial difficulty of the debtor;

(b) breaking of the terms of the contract, or late or non-payment of interest or principal;

(c) likelihood that the debtor will file for bankruptcy or another financial renegotiation; or

(d) adverse alterations to the payment status of the debtors (e.g. increasing number of late payments or increasing number of credit card debtors who have reached their credit limit and are only making the minimum monthly payment);

The allowance for doubtful accounts is mostly related to Franchisee – current accounts and its changes are presented below:

R$ '000	2012		2011	
Balance January 1,	R$	(801)	R$	(1,838)
Increase in allowance for doubtful accounts during the year		(306)		(317)
Write-off during the year		470		97
Reversal of previous accrual - accounts received or renegotiated		417		1,257
Balance December 31,		(220)		(801)

5 OTHER CURRENT ASSETS, OTHER RECEIVABLES AND OTHER ASSETS

Other assets consist of the following:

	December 31,			
	2012		2011	
Witholding taxes	R$	1,732	R$	481
Receivables from suppliers (a)		2,945		1,590
Franchise receivable other than royalties - current portion (b)		1,804		498
Marketable securities		-		537
Other current receivables		120		977
	R$	6,601	R$	4,083

R$'000

Other receivables and other assets:

	December 31,			
	2012		2011	
Franchise receivable other than royalties - non-current portion (b)	R$	1,645	R$	343
Judicial deposits (d)		10,503		8,528
Properties for sale (d)		1,142		1,135
Investment in BBS (Bobs - Chile) (e)		-		808
Other receivables		377		48
	R$	13,667	R$	10,862

(a) The Company has centralized purchasing agreements for material storage and distribution. However all purchases are ordered by and delivered to each restaurant. Occasionally, the Company can sell, through its subsidiaries, products that need to be imported directly by the Company and sold to all restaurants of the Company's chains. As of December, 31 2012 the Company had receivables, related to those transactions, in the amount of R$2.9 million (R$1.6 million in December 31, 2011).

(b) Receivables derive from the sale of the Company's own-operated restaurant assets e.g. inventories and uniforms. This also includes receivables related to the reimbursement of expenses incurred by the Company for the franchisees' benefit e.g. rent, training and delivery operations, and pre-sale of products at events where the Company participates);

(c) Deposits in court required by Brazilian legislation in connection with some legal disputes, also discussed in note 12;

(d) The Company has sold its real estate properties, as discussed in note 20.b. A portion of the sale was not finalized until December 31, 2012, and the Company recorded the carrying amount (cost of acquisition, net of accumulated depreciation) as property for sale (R$1,142,000); and

(e) Refers to the Company's acquisition of a 20% capital interest in BBS, recorded at cost. As discussed in note 1, during the third quarter of 2012 the Company sold its interest in BBS in exchange for a 20% capital interest in DGS.

6 PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

R$'000	December 31, 2012	December 31, 2011
Leasehold improvements	R$ 32,999	R$ 23,558
Machinery, equipment and software	38,646	35,557
Furniture and fixtures	8,745	7,784
Assets under capitalized leases	674	674
Vehicles	266	266
Work in progress	64	-
	81,394	67,839
Less: Accumulated depreciation and amortization	(41,980)	(36,497)
	R$ 39,414	R$ 31,342

7 INTANGIBLE ASSETS, NET

Intangible assets consist of the following:

R$'000	December 31, 2012		
	Cost	Accumulated amortization	Intagible assets, net
Leasehold premiums	R$ 13,757	R$ (7,713)	R$ 6,044
Trade mark (a)	608	-	608
Franchise Contracts acquired (a)	971	(32)	939
Franchise Charges	1,702	(1,013)	689
	R$ 17,038	R$ (8,758)	R$ 8,280

R$'000	December 31, 2011		
	Cost	Accumulated amortization	Intagible assets, net
Leasehold premiums	R$ 10,664	R$ (6,824)	R$ 3,840
Franchise Charges	1,374	(742)	632
	R$ 12,038	R$ (7,566)	R$ 4,472

The following table sets forth the future amortization expenses:

	Amortization expenses
2013	R$ 1,217
2014	1,217
2015	1,217
2016	1,217
2017	953
Thereafter	2,459
	R$ 8,280

(a) represent the fair value of intangible assets assigned as a result of the purchase price allocation in connection of Yoggi acquisition (see note 1).

8 NOTES PAYABLE

Notes payable consists of the following:

R$ 000'	December 31,			
	2012		2011	
Revolving lines of credit (a)	R$	20,460	R$	16,054
Other loan (b)		460		537
		20,920		16,591
Less: current portion		(14,523)		(11,523)
	R$	6,397	R$	5,068

At December 31, 2012, future maturities of notes payable are as follows:
R$ 000'

2013	R$	14,523
2014		3,304
2015		2,284
2016		809
	R$	20,920

(a) Part of this debt (R$11.6 million) is due on demand from three Brazilian financial institutions at interest of approximately 11.7%p.y. Another portion (R$10.4 million) is payable to two Brazilian financial institutions, one in 47 installments of R$92,600 (commencing in October 2012 and ending in November 2016) plus interest of 11.6% p.y, and another in 35 installments of R$138,800 (commencing in October 2012 and ending September 2015) plus interest of 12.9% p.y.. All debts of this category are collateralized by certain officers and receivables.

(b) “Other loan” is comprised of equipment financed by a Brazilian government bank (BNDES). It is due in 48 installments and the interest rate is 12.3%p.y.

The carrying amount of notes payable approximates fair value at December 31, 2012 because they are at current market interest rates.

9 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2012	2011
Suppliers	R$ 7,731	R$ 6,722
Rent payable	1,878	945
Consulting fees	29	98
Accrued utilities	247	16
Accrued maintenance	81	147
Accrued advertising	16	93
Accrued health services	94	-
Marketing fund	2,433	2,695
Royalty payable	574	489
Client advances	121	-
Other accrued liabilities	630	403
	R$ 13,834	R$ 11,608

As mentioned at note 2 Marketing Expenses – Bob's Brand, the balances presented in the caption Marketing Fund represent contributions made by Venbo and by the Bobs' brand franchisees, but not used in campaigns yet.

10 CASH FLOW INFORMATION

Supplemental Disclosure of Cash Flow Information:

	December 31,		
R$'000	2012	2011	2010
Interest paid	R$ 3,100	R$ 1,459	R$ 1,684
Income taxes paid	R$ 7,687	R$ 2,012	R$ 2,260

11 INCOME TAXES

Tax loss carryforwards through December 31, 2012 relating to income tax were R$37.3 million and to social contribution tax were R$68.7 million, comprised mainly of fiscal results at Venbo, CFK, IRB and DGS. Social contribution tax is a Brazilian tax levied on taxable income and is by its nature comparable to corporate income tax.

The accumulated tax loss position can be offset against future taxable income. Brazilian tax legislation restricts the offset of accumulated tax losses to 30.0% of taxable profits on an annual basis. These losses can be used indefinitely and are not impacted by a change in ownership of the Company.

The following is a reconciliation of the amount of reported income tax benefit and the amount computed by applying the combined statutory tax rate of 34.0% to income before income taxes, in their great majority sourced in Brazil, however, the parent company is incorporated in the United States, where it pays its taxes at US income tax rate:

R$'000	December 31,		
	2012	2011	2010
NET INCOME BEFORE INCOME TAX	28,423	17,727	17,600
Tax (expense) income at the combined statutory rate - 34%	R$ (9,664)	R$ (6,027)	R$ (5,984)
Valuation Allowance (increase) decrease	(1,012)	(2,517)	(2,753)
Deferred tax given as part of REFIS IV	-	(5,537)	-
Differences between staturory and other tax rates applied to certain subsidiaries (1)	3,519	2,389	1,143
Credits derived from equity restructuring	-	2,706	2,424
Other permanent differences	694	1,925	(1,165)
Income tax (expense) income as reported in the accompanying consolidated statement of operations	R$ (6,463)	R$ (7,061)	R$ (6,335)

(1) Certain subsidiaries, as allowed by tax laws in Brazil, recognize and pay income and social contribution taxes on a presumed profit alternative, where taxes are calculated on revenues.

Differences between taxable results in Brazil and tax reported results are primarily due to accrued expenses that are only deductible when paid, such as contingencies. Differences between Brazilian GAAP and U.S. GAAP also result on temporary differences and deferred income taxes.

The following table summarizes the composition of deferred tax assets and liabilities and the

related valuation allowance at December 31, 2012 and 2011, based on temporary differences and tax loss carry forwards determined by applying rates of 9.0% for social contribution tax and 25.0% for income tax.

R$'000	December 31,			
	2012		2011	
Deferred tax assets:				
Tax loss carry forward	R$	15,513	R$	13,080
Net temporary differences		2,998		4,231
Total deferred tax assets		18,511		17,312
Valuation allowance		(9,947)		(8,934)
Net deferred tax asset	R$	8,565	R$	8,377
Deferred tax liabilities:				
Gain on sale of assets	R$	-	R$	1,262
Total deferred tax liabilities		-		1,262
Less: current portion		-		(1,262)
		-		-

Company´s forecasts indicate that future operating results will provide taxable income at IRB, Venbo, PCN, LM, CFK-SP, CFK-MPSC and DGS therefore the company expects to a portion of these subsidiaries deferred tax assets. The valuation allowance reflects the Company's assessment of the likelihood of realizing the net deferred tax assets in view of current operations and is comprised of tax loss carryfowards held by the Company through a portion of most of its subsidiaries and through the total of CFK tax losses which are greater than the respective projected taxable income. The increase of valuation allowance from 2010 to 2011 is mainly due to the effects of the amnesty program discussed at note 12 and due to the increase of tax loss at DGS and KFC which the company does not expect to realize during the near future.

In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately R$17,465,000. Taxable income for the years ended December 31, 2012 and 2011 was R$28,423,000 and R$17,727,000, respectively. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred

tax assets are deductible, management believes it is more-likely-than-not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2012. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Valuation allowance has been established for certain credit loss carryfowards that reduce deferred tax to an amount that will, more likely than not, be realized. Annually management evaluates the realization of its deferred tax assets taking into consideration, among other elements, the level of historical taxable income, the projected future taxable income, tax-planning strategies, expiration dates of the tax loss carryforwards, and scheduled reversal of the existing temporary differences. The amount of the deferred tax asset considered realizable could, however, be reduced if estimates of future taxable income are reduced. The following presents the net change in the valuation allowance for the years ended December 31, 2012, 2011 and 2010:

R$'000	December 31,		
	2012	2011	2010
Balance at January 1,	R$ (8,934)	R$ (10,678)	R$ (7,925)
Additions	(1,869)	(4,894)	(3,060)
Reversals	856	1,101	307
REFIS write-off	-	5,537	-
Balance at December 31,	R$ (9,947)	R$ (8,934)	R$ (10,678)

Deferred tax liabilities are related to income tax on sale of assets, which, according to tax rules in Brazil, are due only when proceeds from those sales are received. No deferred tax liabilities have been recognized for the undistributed earnings of certain foreign subsidiaries that arose in 2012 and prior years that we plan to reinvest indefinitely in the foreign jurisdictions. It is not practicable to estimate the amount of deferred tax liabilities that would need to be recognized if we determined to change our plan and repatriate these undistributed foreign earnings.

The Company and its subsidiaries file income tax returns in Brazil and they are subject to income tax examinations by the relevant tax authorities for the years 2007 through 2012.

The Company and its subsidiaries have no unrecognized tax benefits.

Significant judgment is required in determining income tax provisions and in evaluating tax positions. We establish additional provisions for income taxes when, despite the belief that tax positions are fully supportable, that they do not meet the minimum probability threshold, as defined by the authoritative guidance for uncertainty in income taxes, which is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

12 COMMITMENTS AND LITIGATION

a) Operating leases

The future minimum lease payments under those obligations with an initial or remaining non-cancelable lease terms in excess of one year at December 31, 2012 are as follows:

R$'000

Fiscal Year	Contractual Leases
2013	16,809
2014	11,300
2015	5,835
2016	3,910
2017	3,441
Thereafter	5,180
Total	46,475

Rent expense was R$19.2 million, R$17.4 million, and R$16.3 million for the years ended December 31, 2012, 2011, and 2010, respectively.

b) Commitments with trade partners

The Company regularly negotiates supplies' purchase terms with leading suppliers to benefit all restaurants chains under our management. The Company negotiates, through a specialized third party company, with suppliers of equipment, appliances, packaging, cleaning material and uniforms targeting the constant modernization of its chains, including development of new equipments and appliances, their regulatory and visual identification adequacy and reduced costs. The Company also negotiates with beverage and food suppliers, but due to exclusive formulas those negotiations require confidentiality agreements and extended time for analysis and conclusion. The Company strategically decides whether use one or more suppliers for each product.

Although all commercial agreements are negotiated by the Company, all purchases are ordered by, delivered to and invoiced to each own-operated or franchised restaurant of our chains.

The Company also negotiates commercial agreements with centralized warehouses and distributors to provide its restaurants chains with storage, transportation and delivery of goods and other materials, like appliances, packaging, cleaning materials and uniforms. Martin-Brower (Bob's Brand), Luft Food Service, formerly FBD (Pizza Hut Brand), and Fast Food (KFC, Yoggi and Doggis Brands) provide services to our restaurants chains in Brazil.

Revenues from trade partners' agreements can be paid monthly or in advance (estimated), depending on its financial decision.

As of December 31, 2012 the company had the amount of R$3.4 million (R$1.1 million in 2011) recorded as Current portion of Deferred Income and R$1.6 million (R$4.1 million in 2011) as long term Deferred Income as in its balance sheet, related to such agreements.

c) Other commitments

The Company has long term contracts (5 to 10 years) with all of its franchisees. Under these contracts the franchisee has the right to use the Bob's name and formulas in a specific location or area. The Company has no specific financial obligations in respect of these contracts.

d) Reassessed taxes and Contingencies

Liabilities related to tax amnesty programs and litigation consist of the following:

R$'000	December 31,					
	2012			2011		
	Total Liability	Current Liability	Long Term Liability	Total Liability	Current Liability	Long Term Liability
Reassessed taxes						
Federal taxes (REFIS IV)	2,090	2,090	-	4,121	1,940	2,181
Contingencies						
REFIS IV	7,051	-	7,051	6,658	-	6,658
ISS tax litigation	8,519	-	8,519	7,666	-	7,666
Labor litigation	2,174	-	2,174	1,464	-	1,464
Property leasing and other litigation	728		728	246	-	246
TOTAL	20,562	2,090	18,472	20,155	1,940	18,215

Reassessed taxes

Over the past ten years, the Brazilian government has launched four amnesty programs for domestic companies to pay off taxes in arrears. To apply for each program, the companies had to abandon any litigation that they may have started against the Brazilian government, and assume on the liability under dispute in such litigation. In exchange, the amnesty programs guarantee discounts on these tax debts and give companies the opportunity to pay off the debts at low interest rates over periods of time that could exceed ten years.

Venbo had outstanding tax debts from 1999, 2000 and 2002 and consequently applied for three of the four amnesty programs. Venbo's administration believed that the government had calculated its tax liabilities in the amnesty programs incorrectly, and until September 2009 Venbo was involved in discussions with the Brazilian government on this matter at an administrative level.

Venbo enrolled for the fourth and last amnesty program in September 2009 (the "REFIS IV program"). Its aim was to take the original debts from the previous programs, update these debts

by the Brazilian Federal Bank base interest rate, and deduct the payments made during the previous programs. The Brazilian government took two years to make this calculation. At the end of September 2011, Venbo was informed that its consolidated tax debt was approximately R$22.4 million. Since the amnesty program allowed income tax credits to be used to reduce the debt, Venbo was able to cut its tax debt by the R$11.1 million it had in income tax credits.

Venbo disagrees with the amount calculated by the Brazilian government in September 2011. Venbo believes that the Brazilian government failed to consider the payments it made during the prior amnesty programs, which totaled R$10.4 million. According to Venbo's records, Venbo should owe R$4.2 million after the income tax credits are included in the calculations.

Venbo filed an administrative appeal against the Brazilian Internal Revenue Service's ruling, requesting a review of the calculations for the REFIS IV program. At this time, Venbo cannot estimate what the outcome of this claim will be and whether it will be able to reduce the liability to the amount it believes it owes.

These circumstances had the following impact on the company's 2011 consolidated financial statements:

- the liability relating to the financing of taxes, previously stated at R$10.0 million, was raised to R$11.3 million in the income statement of 2011, charged against other operating expenses;
- the portion of the liability described above which Venbo is disputing was reclassified from the reassessed taxes account to a contingency account;
- as described above, Venbo's total income tax credits that were used when the debt was consolidated totaled R$11.3 million;

Under the REFIS IV program, Venbo would pay 145 monthly installments of approximately R$47,300 and 18 monthly installments of approximately R$111,700 commencing in January 2012, with interest accruing at rates set by the Brazilian Federal Government (SELIC), which is currently 6.0%p.y.

During the twelve months ended December 31, 2012, the Company paid approximately R$2.1 million (R$1.9 million in the same period of 2011) in anticipation to REFIS IV program.

Contingencies

- REFIS IV

As discussed above, Venbo does not agree with a portion of the tax debt consolidated by the Brazilian Federal government, and has initiated proceedings to have its tax debt reviewed. The portion of the liability under dispute has been reclassified to a contingency account.

- ISS tax litigation

None of the Company's revenues were subject to municipal tax on services rendered (ISS) until 2003. At the beginning of 2004, new legislation came in, which stated that royalties were to be considered liable for ISS tax payment. Although the Company is claiming in court that royalties should not be understood as payment for services rendered and therefore should not be taxed under ISS legislation, the Company is making monthly deposits of the amount claimed in court.

By December 31, 2012, the Company had deposited R$8.4 million (R$7.6 million by December 31, 2011), which, based on the opinion of its legal advisors, the Company's management believes to be sufficient to cover the Company's current ISS tax contingencies.

In the third quarter of 2009, the Company's claim was partially settled in court. The decision required the Rio de Janeiro municipality to reimburse the Company approximately R$0.5 million paid in taxes before the new ISS legislation was enacted. The Company is studying how the tax credits likely to be received from the municipality could be used to offset other taxes to be paid to the municipality, since the Company is currently depositing the amount due in court. In view of the uncertainty about whether this tax credit will be realized, the Company does not recognize the related amount as a gain.

The referred change in ISS tax legislation has triggered much debate about whether marketing fund contributions and initial fees paid by franchisees should be considered services rendered and be liable for ISS tax payment. The Company and its legal advisors understand that such payments are not covered by ISS legislation, and that accordingly, they are not subject to such taxation. The

Company and its legal advisors are making every effort to prevent marketing fund contributions and initial fees from being liable for this tax.

- Labor litigation

In 2005, the Company was ordered to pay to a former employee R$480,000. Although this was an unusually high settlement, the Company cannot guarantee it will not have to pay labor claims of a similar magnitude in the future.

As of December 31, 2012, the Company accounted for R$1.5 million for labor-related liabilities (R$1.5 million in December 31, 2011), which Management, based on the opinion of its legal advisors, deems sufficient to cover the Company's existing labor contingencies.

- Other contingencies

As of December 31, 2012 the Company had other unresolved claims pending related to the former owner of Venbo, to franchisees or ex-franchisees, to owners of properties where the Company held lease contracts, to former employees and others, for which its legal advisors evaluated as possible and favorable outcome in the approximately amount of R$3,822,000. For those claims no liability was recorded in the Company´s balance sheet as per the accounting practices.

13 OTHER LIABILITIES

During the second quarter of 2012, the Company initiated a new intensive program through which certain of its employees may receive a compensation bonus in cash in 2015 if certain annual targets are met from 2012 to 2015. In connection with this new program, the Company has accrued R$3,051,000 as other liabilities in its consolidated balance sheet as of December 31, 2012.

14 SHAREHOLDERS' EQUITY

Preferred stock

The Board of Directors of the Company is empowered, without shareholder approval, to issue up to 5,000 shares of preferred stock (the "Preferred Stock") with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of the Company's common stock. To date no Preferred Stock had been issued.

Common Stock

The table below states issued, treasury and outstanding shares of common stock as of December 31, 2012 and 2011:

Issued shares	8,472,927
Less: Treasury stock	(343,490)
Outstanding shares	8,129,437

Stock repurchase plan

In the last quarter of 2004, the Company’s Board of Directors approved a stock repurchase plan involving the repurchase of as many as 200,000 shares of its own common stock. The repurchase limit was increased by 200,000 shares on October 18, 2006.

During 2011, the Company repurchased 8,325 shares related to such plan in the amount of US$73 thousand, equivalent to R$114 thousand. The Company did not repurchase any shares under the stock repurchase plan in 2010.

Up to December 31, 2012, Company repurchased a total amount of 343,490 shares and the accumulated stock purchases totaled R$2.1 million. Those transactions are accounted for as a reduction of Paid in Capital and an increase in treasury stock, in the Shareholders’ Equity.

Stock option plan

The Company’s Stock Option Plan terminated on September 17, 2002, ten years from the date of its adoption by the Board of Directors.

During 2005, the Company's Board of Directors and a majority of its shareholders decided that the Board would pay out compensation in cash and that no more stock options would be granted.

The Company has no further exercisable options since 2009, under the Company’s Stock Option Plan and during 2010, 2011 and 2012 there was no option activity.

Dividend payable

We have had a policy of retaining future earnings for the development of our business. Today, our dividend policy is subject to the discretion of the Board of Directors and depends upon a number of factors, including future earnings, financial condition, cash requirements, and general business conditions. Each year, the Board of Directors discusses our profits distribution while considering our investment programs.

Although in 2008 and 2010 our Board of Directors decided to distribute cash dividends to our shareholders by virtue of our successful reorganization and increased operational margins, in 2009, 2011 and 2012 there were no dividends paid.

15 ADMINISTRATIVE EXPENSES

Administrative Expenses consist of the following:

R$ 000'	Year Ended December 31,		
	2012	2011	2010
Payroll & Related Benefits	13,027	12,547	12,328
Occupancy expenses	1,805	1,664	1,378
Legal, accounting and consulting	12,759	10,264	7,948
Maintenance Expenses	258	889	869
IT Expenses	569	1,057	1,045
Travel and transport expenses	1,129	1,817	940
Bank Charges	125	191	460
Other Administrative Expenses	3,964	3,564	3,106
	33,636	31,993	28,074

16 OTHER OPERATING EXPENSES

Other expenses consist of the following:

R$'000	December 31, 2012	2011	2010
Uncollectable receivables	306	(940)	939
Logistics expenses	-	3,095	-
Accruals for contingencies - labor	1,410	2,156	4,138
Accruals for contingencies - tax	-	989	-
Depreciation of Headquarters' fixed assets	1,476	1,429	1,302
Preoperating and other expenses	2,392	908	1,265
	R$ 5,584	R$ 7,637	R$ 7,644

During the first semester of 2011 the Company had expenses in the amount of R$3.1 million to cover momentary shortfalls in the distribution of raw materials to point of sales located at distant areas in the north and mid-west of Brazil, which are hard to manage and have high logistics costs. In order to improve its logistics system, the Company changed its logistics operator from Luft-FBD to Martin Brauwer, which started operations in the beginning of the second quarter of 2011.

Also during the first quarter of 2011, the Company received approximately R$900,000 of receivables which were previously written-off and expensed as uncollectible. Therefore, as of

September 30 , 2011 this amount was computed as a gain, reversing the doubtful receivable expenses incurred in the period. This reflects the actions the Company is taking related to collection of past due accounts such as: outsourcing the collection process of delinquent debtors and renegotiation of past receivables with franchisees.

As discussed at note 12 of the consolidated financial statements, during the third quarter of 2011, the Brazilian government consolidated the Company´s tax liability as per the forth tax amnesty program. The Company disagreed with such consolidation and is filing an administrative appeal to the Brazilian Internal Revenue Service to have the calculations for the tax debt financing program reviewed. At this point in time, the Company cannot estimate what the outcome of this claim will be, accordingly the liability relating to the taxes amnesty program has been raised in R$1.3 million, with a counterpart in accrual for contingencies account. This amount was partially offset by tax credits of approximately R$540,000.

During 2010, the Company and its legal advisors reviewed its labor and other contingences and these reviews derived non-recurring charges of approximately R$2.9 million in its income statement. Legal advisors' review was preponderantly a reclassification of likelihood of loss on some contingencies. In addition, Company agreed to pay R$0.7 million regarding a claim from the Rio de Janeiro municipality related to an additional charge to one of Venbo's property Urban Property Tax (IPTU).

17 INTEREST EXPENSE, NET

Interest Expenses, net consist of the following:

	December 31,		
R$'000	2012	2011	2010
Interest income	3,299	4,024	1,951
Interest expenses	(3,766)	(2,727)	(3,557)
	R$ (467)	R$ 1,297	R$ (1,606)

18 FINANCIAL INSTRUMENTS AND MARKET RISKS

The estimated realization values of the financial assets and liabilities of the Company and its subsidiaries were determined through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate realization value. Consequently, the estimates below do not necessarily indicate the values that could be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realizable values.

The management of these instruments is done through operating strategies, aimed at liquidity, profitability and security. Our control policy consists of permanently monitoring contract rates versus market rates. The Company and its subsidiaries do not invest in derivatives or any other risky assets on a speculative basis.

The book balances of the main financial instruments included in the balance sheets as of December 31, 2012 and 2011, such as cash and cash equivalents, trade account and other receivables, notes payables, accounts payable and other liabilities approximated their fair values because of the short-term nature of these instruments.

Hierarchical fair value

There are three levels for classifying the fair value of financial instruments; the hierarchy gives priority to quoted prices not adjusted in an active market for financial assets and liabilities. The hierarchical levels are classified as follows:

Level 1: Inputs from an active market (quoted price not adjusted), which can be accessed on a daily basis, including at the fair value measurement date.

Level 2: Inputs other than those from an active market (quoted price not adjusted), included in level 1, taken from a pricing model based on observable market inputs

Level 3: Inputs taken from a pricing model not based on observable market inputs.

We emphasize that the entity did not observe any Level 2 and 3 financial instruments during the analysis and no level transfers took place in this period.

a. Derivative financial instruments

In the twelve-month period as of December 31, 2012 the Company and its subsidiaries did not contract operations with derivative financial instruments.

b. Risk factors

The operations of the Company and its subsidiaries are subject to the risk factors described below:

b.1 Credit risk

This arises from the possibility of the Company and its subsidiaries incurring losses due to the default of its franchisees or other counterparties, as well as financial institutions where they have funds or financial investments.

To mitigate these risks, the Company and its subsidiaries have a policy of analyzing the financial position of their counterparties, through public mechanisms available, as well as other instruments which may be required to ensure that financial resources are safely received.

The company has the policy of analyze the rating of the financial institutions participating in the Brazilian financial system to decide about keep the investments in the financial institution. Wherever, the company maintains a more defensive attitude in the decision of investment.

b.2 Liquidity risk

Liquidity risk is the risk that the Entity meet difficulties to pay its obligations associated with financial liabilities that are settled with cash or other financial asset. The company has cash and cash equivalent in the total of R$32,062,000, which is sufficient to honor the expenses over the next 90 days, in addition to cash generated by the sale of iron ore and the existing credit facilities with banks for operations or trade finance, secured by existing iron ore supply orders.

The amounts recognized as of December 31, 2012 approach the operations' settlement values, including estimated future payments of interest, where the cash and cash equivalents are sufficient to cover these obligations.

b.3 Market risk

Market risk is the risk that changes in market prices such as exchange rates, interest rates and stock prices are earnings of the Entity of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

A portion of inputs of our suppliers are denominated in U.S. Dollars and the prices of our inputs can fluctuate because exposition by foreign exchange risk.

The Entity also finances a portion of its operations by funding using bank credit facilities. These debt obligations expose the Entity to market risks, including changing CDI-based interest rate risk. The CDI is a daily variable interest rate used by Brazilian banks. It is linked to the Brazilian equivalent of the Federal Reserve fund rates and its fluctuations are much like those observed in the international financial market.

19 FAIR VALUE DISCLOSURES

At December 31, 2012 the carrying values of cash and cash equivalents, accounts receivable and accounts payable approximated their fair values because of the short-term nature of these instruments. The Company's debt obligations approximated their fair values they are at current market interest rates.

The following tables present the fair values for assets and liabilities measured at fair value during 2011 on a non-recurring basis, and that were on our Consolidated Balance Sheet as of December 31, 2011. Total losses include losses recognized from all non-recurring fair value measurements during the year ended December 31, 2011 for assets and liabilities that were on our Consolidated Balance Sheet as of December 31, 2011:

R$000'	Asset fair value as of December 31, 2011	Total losses during 2011	%
Plant & Equipment held for use	3,713	867	23.3%
Intangible assets held for use	1,095	1,016	92.8%
	4,808	1,883	

Long-lived assets held for use presented in the table above include restaurants or groups of restaurants that were impaired as a result of annual impairment review during 2011, using fair value measurement level 3. Our impairment review during 2012 and 2010 derived no fair value measure of assets and liabilities.

20 TRANSACTIONS WITH RELATED PARTIES

a) Franchisee receivables

Among all 939 franchise Bobs' point of sales ("POS"), 21 stores are franchised with Mr Romulo Fonseca and 43 stores are franchised with Mr. Jose Ricardo Bomeny. Both individuals are Company's shareholders. All franchise transactions with those related parties are made at usual market value and at December 31, 2012 the Company account receivables included R$551,000 (R$452,000 in 2011) from them.

b) Sale of assets

During the third quarter of 2010 the Company entered into an agreement to sell all its eight owned real-estate properties to Bigburger Ltda. and CCC Empreendimentos e Participações Ltda., entities controlled by José Ricardo Bomeny and Rômulo B. Fonseca, respectively, two major shareholders of the Company. Seven of the properties sold operate under the Bob's brand (three own-operated stores and four stores operated by franchisees) and one store is operated by a third party not related to the Company. The transaction only covered the sale of the buildings and improvements to them, but did not include either the operating assets or the operation of the stores. Therefore, the Company has continued to operate its stores as usual.

This transaction was conducted at fair value and resulted in sale proceeds of R$13.5 million on assets, with a carrying amount of R$6.4 million. Management prepared fair value estimates for these asset sales and considered valuation reports by third-party real estate consultants.

By December 31, 2010, much of the transaction had already been concluded (seven of the eight properties transferred), for which the company recorded a net gain of R$5.4 million (R$3.6 million, net of income taxes), recognized as income. Some legal issues have held up the sale of the one remaining property, though this is expected to be concluded in 2013, bringing an expected additional gain of approximately R$1.7 million (R$1.1 million, net of income taxes). The assets which had not been transferred by December 31, 2012, were reclassified in the Properties for Sale account (part of "Other Receivables and Other Assets" – see note 5) at their carrying amount (R$1.1 million).

The terms of the sale included a down-payment of approximately 20% of the total amount, with the balance to be paid in 24 monthly installments. The buyers also accepted certain conditions to protect the Company's long-term interests, including the maintenance of existing rental agreements and loan guarantees. By December 31, 2012, the completed sale amount was received by the Company.

This transaction enabled the Company to reduce its debt and permitted management to focus its attention on its core restaurant operations.

21 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(In thousand of Brazilian Reais, except share amounts)

	2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Restaurant Sales	43,617	40,246	43,304	50,940
Net Franchise Revenues	10,011	9,677	11,292	14,335
Operating income	5,545	5,007	7,496	10,842
Net income - before non-controlling interest	3,582	3,891	6,304	8,183
Basic and diluted income per share	0.42	0.45	0.73	0.95
Weighted average common shares outstanding	8,129,437	8,129,437	8,129,437	8,129,437

	2011			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Restaurant Sales	40,146	38,322	46,020	45,761
Net Franchise Revenues	7,610	7,824	8,816	10,973
Operating income	4,873	4,040	5,510	2,007
Net income - before non-controlling intrest	4,237	3,626	(159)	2,962
Basic and diluted income per share	0.52	0.41	(0.07)	0.23
Weighted average common shares outstanding	8,137,762	8,137,762	8,137,762	8,138,321

R$'000	2010			
Net Restaurant Sales	38,277	35,173	38,938	42,203
Net Franchise Revenues	6,594	6,054	7,100	8,638
Operating income	2,287	1,383	9,460	6,076
Net income - before non-controlling intrest	1,880	254	5,282	4,233
Basic and diluted income per share	0.23	0.03	0.65	0.52
Weighted average common shares outstanding	8,137,762	8,137,762	8,137,762	8,138,321

22 SEGMENT INFORMATION

The Company owns and operates, both directly and through franchisees, Brazil's second largest fast food restaurant chain, with 1,022 point of sales.

The Company owns and operates, through its subsidiaries Venbo, LM and PCN, 40 points of sale under the Bob's brand. Besides the own-operated point of sales, 898 point of sales are operated by franchisees under the Bob's brand

Since April 2007, the Company has operated the KFC brand in Brazil through its wholly-owned subsidiary, CFK. Presently, the Company owns, through its subsidiaries CFK, CFK SP and MPSC, 12 stores in Rio de Janeiro under the KFC trade name.

Since December 1, 2008, the Company has operated the Pizza Hut brand in São Paulo, Brazil, through its subsidiary IRB. It currently operates 18 stores under the Pizza Hut brand.

Since September, 2008, the Company has operated the Doggis brand in Rio de Janeiro, Brazil, through its subsidiary, DGS. In 2011, the Company converted all of its own-operated Doggis stores to franchised stores. Currently, 13 point of sales are operated by franchisees.

In May 2012, the Company acquired Yoggi which has operated a frozen yogurt franchise network in Brazil since in 2008. It currently operates 41 franchised point of sales under the Yoggi brand.

Currently, most of the Company’s operations are concentrated in southeastern Brazil. As of December 31, 2012, all points of sale operated by the Company are in this region, providing 100.0% of total Net Revenues from Own-operated Restaurants for the year. In addition, of the total of 952 franchise-operated points of sales, 528 were located at the same region, providing 62.2% of Net Revenues from Franchisees.

Outside Brazil, the Bob’s brand is also present through franchise operations in Angola, Africa (five stores) and, since the last quarter of 2009, Chile, South America (seven stores). These operations are not material to our overall results.

The Company manages and internally reports its operations in two segments: (1) own-store operations; and (2) franchise operations. The following tables present the Company’s revenues, costs/expenses and operating income per segment:

R$ 000'	Results from own-stores operations		
	Year Ended December 31,		
	2012	2011	2010
Revenues	R$ 178,107	R$ 170,249	R$ 154,591
Food, Beverage and Packaging	(58,057)	(58,043)	(53,075)
Payroll & Related Benefits	(36,908)	(33,929)	(34,161)
Restaurant Occupancy	(19,747)	(19,247)	(17,680)
Contracted Services	(19,304)	(16,878)	(18,534)
Depreciation and Amortization	(5,976)	(5,811)	(5,146)
Royalties charged	(7,016)	(6,221)	(4,962)
Other Store Costs and Expenses	(11,244)	(13,001)	(9,392)
Total Own-stores cost and expenses	(158,252)	(153,130)	(142,950)
Operating margin	R$ 19,855	R$ 17,119	R$ 11,641

R$ 000'	Results from franchise operations					
	Year Ended December 31,					
	2012		2011		2010	
Revenues	R$	45,315	R$	35,223	R$	28,386
Payroll & Related Benefits		(9,636)		(6,938)		(6,696)
Occupancy expenses		(1,077)		(1,107)		(796)
Travel expenses		(2,235)		(1,294)		(1,137)
Contracted Services		(1,550)		(1,291)		(976)
Other franchise cost and expenses		(1,152)		(1,074)		(1,113)
Total franchise cost and expenses		(15,650)		(11,704)		(10,718)
Operating margin	R$	29,665	R$	23,519	R$	17,668

Cost and expenses that are exclusively related to own-operated stores – even those incurred at the headquarters - are included in “Results from own-store operations”.

Cost and expenses that are exclusively related to franchisee-operated stores – even those incurred at the headquarters - are included in “Results from franchise operations”.

There are items that support both activities, such as (i) administrative expenses (the finance department collects receivables from franchises but also reviews daily own-store sales); (ii) selling expenses (marketing campaigns enhance the sales of own-operated stores as well as the sales of franchise stores); (iii) interest expenses (income); (iv) income tax (benefits); (v) exclusivity and other agreements with suppliers; and (vi) extraordinary items. These items were not included in any of the segment results disclosed in the table above because (a) their segregation would require a high level of complexity and (b) the chief operating decision-maker relies primarily on operating margins to assess segment performance.

Currently, besides the accounts receivable from franchisees (franchise fees, royalties and marketing fund), the Company does not have any assets that are only used by the franchise business. Accordingly, except for these receivables, the assets presented in the consolidated balance sheets are used in the restaurant operating business.

The Company also manages its business concerning each of the brands it operates. Own-stores operation conducted by the Company provided the following figures per brand:

R$ 000'	Results from Bob´s brand operations			Results from KFC´s brand operations		
	Year Ended December 31,			Year Ended December 31,		
	2012	2011	2010	2012	2011	2010
Revenues	R$ 68,556	R$ 75,228	R$ 72,104	R$ 33,097	R$ 25,615	R$ 21,690
Food, Beverage and Packaging	(25,233)	(29,800)	(26,851)	(12,620)	(9,705)	(7,975)
Payroll & Related Benefits	(15,086)	(14,854)	(16,656)	(7,578)	(5,970)	(5,465)
Occupancy expenses	(7,409)	(8,176)	(7,530)	(4,272)	(3,176)	(2,981)
Contracted Services	(7,131)	(7,198)	(7,866)	(3,404)	(3,025)	(3,239)
Depreciation and Amortization	(2,039)	(2,151)	(2,507)	(1,628)	(1,346)	(1,049)
Royalties charged	-	-	-	(1,958)	(1,750)	(1,070)
Other Store Costs and Expenses	(5,767)	(5,839)	(5,513)	(2,180)	(2,383)	(1,225)
Total Own-stores cost and expenses	(62,665)	(68,018)	(66,923)	(33,640)	(27,355)	(23,004)
Operating margin	R$ 5,891	R$ 7,210	R$ 5,181	R$ (543)	R$ (1,740)	R$ (1,314)
Other allocated expenses:						
Income Tax	(3,361)	(5,385)	(2,905)	261	(464)	452
Interest income (expense)	718	2,416	617	42	(103)	(154)
Impairment of assets	-	(165)	-	-	(605)	-
Operating margin less other alocated expenses	R$ 3,248	R$ 4,076	R$ 2,893	R$ (240)	R$ (2,912)	R$ (1,016)

R$ 000'	Results from Pizza Hut´s brand operations			Results from Doggis' brand operations		
	Year Ended December 31,			Year Ended December 31,		
	2012	2011	2010	2012	2011	2010
Revenues	R$ 76,454	R$ 68,107	R$ 58,522	R$ -	R$ 1,299	R$ 2,275
Food, Beverage and Packaging	(20,204)	(17,869)	(17,032)	-	(669)	(1,217)
Payroll & Related Benefits	(14,244)	(12,412)	(11,223)	-	(693)	(817)
Occupancy expenses	(8,066)	(7,447)	(6,680)	-	(448)	(489)
Contracted Services	(8,769)	(6,390)	(7,112)	-	(265)	(317)
Depreciation and Amortization	(2,310)	(2,065)	(1,362)	-	(249)	(228)
Royalties charged	(4,960)	(4,450)	(3,892)	-	(21)	-
Other Store Costs and Expenses	(3,394)	(4,667)	(2,496)	-	(112)	(158)
Total Own-stores cost and expenses	(61,947)	(55,300)	(49,797)	-	(2,457)	(3,226)
Operating margin	R$ 14,507	R$ 12,807	R$ 8,725	R$ -	R$ (1,158)	R$ (951)
Other allocated expenses:						
Income Tax	(1,293)	1,083	(2,944)		(51)	51
Interest income (expense)	(1,139)	(1,274)	(1,337)		(21)	5
Impairment of assets	-	(206)	-		(907)	-
Operating margin less other alocated expenses	R$ 12,075	R$ 12,410	R$ 4,444	R$ -	R$ (2,137)	R$ (895)

Below we provide the segment information and its reconciliation to the Company´s income statement:

R$ 000'		Year ended December 31,				
		2012		2011		2010
Bob´s operating income, less other allocated expenses	R$	3,248	R$	4,076	R$	2,893
KFC´s operating loss, less other allocated expenses		(240)		(2,912)		(1,016)
Pizza Hut´s operating income, less other allocated expenses		12,075		12,410		4,444
Doggis' operating loss, less allocated expenses		-		(2,137)		(895)
Total operating income		15,083		11,437		5,426
Income from franchise operations		29,665		23,519		17,668
Unallocated Marketing Expenses		(5,472)		(4,326)		(5,054)
Unallocated Administrative Expenses		(33,636)		(31,993)		(28,074)
Unallocated Other Operating Expenses		(5,584)		(7,637)		(7,644)
Unallocated Net Revenues from Trade Partners		22,184		19,191		21,104
Unallocated Other income		2,289		2,130		2,198
Unallocated Net result of assets sold		(411)		310		7,367
Unallocated Interest Income (Expenses)		(88)		279		(737)
Unallocated income tax		(2,070)		(2,244)		(989)
Total Unallocated Expenses		(22,788)		(24,290)		(11,829)
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST		21,960		10,666		11,265

23 SUBSEQUENT EVENTS

From January, 2013 onward, the Company will present its Consolidated Financial Statements in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Consolidated Financial Statements for the twelve month period ending December 31, 2013 will be the first annual report to be presented in accordance with the IFRS. However the Company will also release its quarterly reports based on such standards, beginning on the quarter ended March 31, 2013.

Since the Company has presented its Consolidated Financial Statements until December 31, 2012 in accordance with the USGAAP - Accounting Principles Generally Accepted in the United States, its future reports will disclose the reconciliation from the USGAAP to the IFRS for its balance sheet, operating results, equity and cash flow statements.

According to its preliminary studies, the Company does not expect material impact when adopting the IFRS for the first time.