BRAZIL FAST FOOD CORP.

RULE 15c2-11
INFORMATION AND DISCLOSURE STATEMENT

For the fiscal year ended December 31, 2013

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, 2013: 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 "BUSINESS", beginning on page 4.

Item (ix) Nature of products or services offered: See section headed "BUSINESS", beginning on page 4.

Item (x) Nature and extent of the issuers' facilities: See section headed "BUSINESS", beginning on page 4.

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 96.

Item (xii) Issuer's most recent balance sheet and profit and loss and retained earnings statements: See "CONSOLIDATED FINANCIAL STATEMENTS", beginning on page 23.

Item (xiii) Similar financial information for the two preceding fiscal years: See "CONSOLIDATED FINANCIAL STATEMENTS", beginning on page 23.

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 the International Financial Reporting Standards (IFRS).

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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”),DGS Comércio de Alimentos Ltda. (“DGS”), CLFL Comércio de Alimentos Ltda. (“CLFL”), Little Boss Comércio de Alimentos Ltda. (“Little Boss”), Separk Comércio de Alimentos Ltda. (“Separk”), Schott Comércio de Alimentos Ltda. (“Schott”), FCK Franquias e Participações Ltda. (“FCK”, former Suprilog Logística Ltda.), Yoggi do Brasil Ltda. (“Yoggi”), and Internacional Restaurantes do Brasil S.A. (“IRB”). IRB has 40% of its capital held by individuals, including 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 11.

Our restaurant system includes in line and drive thru restaurants, food court and store in store points of sale, as well as kiosks, owned by the Company or by franchisees, under the following brand names: Bob's, Yoggi, Doggis, Pizza Hut and KFC.

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.

Yoggi was founded in 2008 by two young entrepreneurs in one of the most charming high-end neighborhoods in Rio de Janeiro. The store became a great vogue serving the sweet and sour frozen yogurt novelty in Brazil with Brazilian fruits flavoring and different toppings in its cool ambience. Inventive, the brand developed a new store concept with several recipes for lighter and amusing desserts and is always exploring new store formats and distribution channels.

Additionally, we entered into 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. Under those agreements, we own and operate in Brazil, KFC and Pizza Hut restaurants as a franchisee of Yum and we franchise Doggis stores as a master franchisor of G&N. KFC and Pizza Hut are world-known brands for fried chicken and pizza and Doggis is a well-known brand in Chile for hot-dogs.

Restaurants Operations

The Company totaled 1165 points of sale at the end of 2013, up from 1031 at the end of 2012. The increase resulted from 173 openings: 41 in line and 7 drives thru restaurants, 44 food courts and 6 stores in store points of sale, and 75 kiosks. The total number of points of sale includes 1058 under Bob's brand, 42 under Yoggi brand, 20 under Doggis brand, 13 under KFC brand, 32 under Pizza Hut brand.

Own-operated Restaurants

As of December 31, 2013, we owned and operated 85 points of sale: 40 under Bob’s brand, 32 under Pizza Hut brand and 13 under KFC brand. All of these points of sale were located in the States of Rio de Janeiro (41) and São Paulo (44).

Franchised Restaurants

As of December 31, 2013, we had 1080 points of sale owned and operated by our franchisees, of which 1018, including 12 express stores, were under Bob’s brand, 42 under Yoggi brand and 20 under Doggis brand. Approximately 43.4% 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 4 franchised restaurants in Angola 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.

Our revenues are comprised of sales at Company restaurants, points of sale and kiosks, franchise revenues, both 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 franchised units), 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 four 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.

Service, 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 for products and quality assurance according to federal, state and local governmental laws and regulations and are continuously monitored by our team, franchisees auto-evaluation and 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, through our own team assessment, third party service providers or our clients' response in a specific evaluation program, 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' terminals, bus stations, gas service stations, hypermarkets, superstores, stadiums and colleges. Non-traditional units include express stores and kiosks which have a more limited menu and operate in convenience stores, events 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 and Doggis brands).

Each of the brands we franchise has a Franchisee Committee, where voted representatives of the franchisees meet 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.

As of today, Bob's have 305 franchisees and approximately 129 groups of franchisees, which include franchised restaurants for different companies in the same economic group and franchised restaurants for different family members.

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

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 agencies, develop a multi-media marketing program to advertise our chains in their 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. We keep our restaurants' personnel as well as our franchisees fully informed of current advertising 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 Argentina, Paraguay, Uruguay, Chile, Costa Rica, El Salvador, Honduras, Mexico, Angola, Morocco, Germany, Switzerland, Portugal, France, Italy and Benelux (an economic union of Belgium, the Netherlands, and Luxembourg). We have also registered our trademark and logo Bob's Burgers® in Argentina, Paraguay, Uruguay, Chile, Angola, Morocco 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 locations with high flow of people 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, we are 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 17,000 as of year-end 2013.

Availability of Reports and Other Information

We make available, free of charge, our Annual Reports, Quarterly Reports, Current Reports, Proxy Statements and amendments to those materials at our website www.bffc.com.br (under the "Investors - Financial Reports" 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 large, aggressive and well-capitalized 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. In accordance, we may need to make significant investments in branding and marketing as well as in research and development of new products and product line extensions while increasing promotional items or reducing overall prices. As a result, we could experience decreased earnings and operational margins, 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 franchise industry.

Food chain operators are required to meet a complexity of governmental laws and regulations to ensure the food is safe and of adequate quality and that the business premises comply with land use and occupation as well as safety standard applicable. Suspension of certain licenses or approvals due to our or our franchisees failure to comply with applicable laws and regulations could interrupt the operations of the affected point of sale and affect our operating results. Besides, both our franchisees and we, private sector employers, must follow the Consolidation of Labor Laws that enforce minimum wages, mandatory accretions to the salary (overtime, work at night hours, unhealthy/hazardous environment, and relocation), indemnities paid upon dismissal, one-third extra holiday pay, collective agreements and conventions, insurance of labor’s accident, as well as compliance with demanding working conditions and minimum workforce that imposes increasing burdens on our business as well as on our franchisees business and could affect our operating results. We are also subject to the Franchising Law. Changes in this law or any other regulation applicable to franchise relationships and operations in Brazil may adversely affect our business and could affect our operating results.

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 have property in one land located in the city of Nova Iguaçu, Rio de Janeiro, Brazil, including buildings or improvements on it.

As of December 31, 2013, we leased the property for 150 points of sale, including three properties that we formerly owned and 60 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. There is further discussion on whether marketing fund contributions and initial fees paid by franchisees could also be subject to taxation. 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 years, we enrolled in five amnesty programs launched by the Brazilian government for domestic companies to pay off their tax arrears. In September 2009, we enrolled in the fourth 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. In 2013, we enrolled in the fifth Brazilian government amnesty program (the "REFIS 2013 Program"), to include invalid tax credits used by one of our

subsidiaries. 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 notice from Brazilian tax authorities, in the second semester of 2013, we were required an inspection of an indirect subsidiary's tax records and the income tax credits for this indirect subsidiary, generated in the restructuring carried out in 2006, which was related to a consolidation of the Company's businesses in Brazil, were considered abusive tax planning. We filed an administrative appeal against the penalty charged by the Brazilian Internal Revenue Service. Although we believe in a positive outcome, there can be no assurance that this tax assessment will not have a material impact on the business.

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 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, 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
March 31, 2013	10.50	7.50
June 30, 2013	13.03	9.61
September 30, 2013	17.49	11.95
December 31, 2013	17.79	15.45

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

Holders

As of February 25, 2014, the number of record holders of our Common Stock was 48.

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, 2012 and 2013 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, 2013 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, 2013, 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 "Consolidated Financial Statements", beginning on page 23.

R$ '000	Year Ended December 31,				
	2013	2012	2011	2010	2009
REVENUES					
Net Revenues from Own-operated Restaurants	*R$ 206.688*	*R$ 178.107*	*R$ 170.249*	*R$ 154.591*	*R$ 146.875*
Net Revenues from Franchisees	52.552	45.315	35.223	28.386	24.647
Revenues from Supply Agreements	26.773	22.184	19.191	21.104	10.270
Other Income	*1.283*	2.289	2.130	2.198	3.098
TOTAL REVENUES	*287.296*	*247.895*	*226.793*	*206.279*	*184.890*
OPERATING COST AND EXPENSES					
Store Costs and Expenses	(186.402)	(158.252)	(153.130)	(142.950)	(135.116)
Franchise Costs and Expenses	(14.656)	(15.650)	(11.704)	(10.718)	(8.619)
Marketing Expenses	-	(5.472)	(4.326)	(5.054)	(4.092)
Administrative Expenses	(34.120)	(33.636)	(31.993)	(28.074)	(21.298)
Other Operating Expenses	(11.789)	(5.584)	(7.637)	(7.644)	(4.996)
Net result of assets sold and impairment of assets	2.878	(411)	310	7.367	1.225
TOTAL OPERATING COST AND EXPENSES	*(244.089)*	*(219.005)*	*(208.480)*	*(187.073)*	*(172.896)*
OPERATING INCOME	43.207	28.890	18.313	19.206	11.994
Interest Expense, net	(2.431)	(467)	1.297	(1.606)	(4.882)
NET INCOME (LOSS) BEFORE INCOME TAX	40.776	28.423	19.610	17.600	7.112
Income taxes - deferred	2.343	1.089	(2.432)	(4.057)	-
Income taxes - current	(12.666)	(7.552)	(4.629)	(2.278)	(36)
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	30.453	21.960	12.549	11.265	7.076
Net (income) loss attributable to non-controlling interest	(621)	(1.252)	(1.812)	317	-
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 29.832	R$ 20.708	R$ 10.737	R$ 11.582	R$ 7.076
NET INCOME PER COMMON SHARE BASIC AND DILUTED	R$ 3,67	R$ 2,55	R$ 1,32	R$ 1,42	R$ 0,87
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: BASIC AND DILUTED	8.129.437	8.129.437	8.130.717	8.137.762	8.122.505
DIVIDEND PAID PER SHARE	*R$* -	*R$* 0,44	*R$* -	*R$* 0,08	*R$* -
Balance Sheet Data (End of Period):					
WORKING CAPITAL (DEFICIT)	41.916	24.154	16.943	(9.379)	(9.379)
TOTAL ASSETS	178.706	141.676	110.885	100.955	100.955
ACCUMULATED DEFICIT	23.450	3.527	(16.092)	(33.021)	(33.021)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	80.770	61.501	41.869	25.105	25.105

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

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

and the

RISK FACTORS on page 11,

SELECTED FINANCIAL DATA on page 19 and with "Consolidated Financial Statements", beginning on page 23.

Brazilian Political and Economic Environment

In June 2013, Brazil experienced countrywide civil unrest and protests against corruption, poor public services, and widespread disappointment in the economy and political leaders. In October 2014, Brazil will face presidential elections, as well as elections for senators, federal deputies and governors, with voters seemingly wanting sweeping policy changes. Although the impact of millions of people in the streets and online has been visible on both the economy and the popularity of Brazil's politicians, the elections outcome is still unpredictable.

Brazil's 2014 economic growth, as measured by its GDP, is expected to be below 2,0% as public finances deteriorates and a slowdown of both job creation and wage growth is combined with resilient higher inflation and increasing interest rates.

Besides, early school holidays due to the Football World Cup that will take place in Brazil might affect sales during June and July 2014. Normally school holidays have a positive effect on our business, but this time it will be combined with breaks for employees and the closure of cinemas, theatres, and shopping centers due to the games of the Football World Cup.

Year Ended December 31

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
GDP[1]	2.3	0.9	2.7	7.5	-0.2	4.5	5.4	3.8	3.2	5.7
Inflation[2]	5.9	5.8	6.5	5.9	4.1	6.5	4.5	3.1	5.7	7.6
Interest Rates[3]	275	-375	25	200	-500	250	-200	-475	25	125
Exchange Rates[4]	-14.6	-8.9	-12.6	4.3	25.5	-31.9	17.2	8.7	11.8	8.1

[1] Calculated by IBGE

[2] Broad National Consumer Price Index (IPCA), calculated by IBGE

[3] Variation (in basis points) 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 manages one of the largest food service groups in Brazil and franchise units in Angola and Chile. Its restaurant system includes in line and drive thru restaurants, food court and store in store points of sale, as well as kiosks, owned by the Company or by franchisees, under the following brand names: Bob's, Yoggi, Doggis, Pizza Hut and KFC. The Company reports the results of operations in the following reportable segments: own-stores operation; franchise operation; Bob's, Yoggi, Doggis, Pizza Hut and KFC.

Key Strategies

In 2014, the Company expects to continue investing heavily in advertising and promotion to reinforce support of its brands and respond to competitors.

In 2013, Bob's continued its strategy of increasing the brand visibility, through in line and drive thru restaurants in major cities and the interior of Brazil, and improving operations, through live training and e-learning as well as rendering available tools for franchisees to raise awareness to critical areas for operational excellence at each franchised point of sale. Total stores sales were up 17.8% and same store sales were up 6.1%, driven by higher average ticket. In 2014, the brand will continue to focus on operations, training and expansion.

In 2013, Yoggi converted underperforming points of sale into the self-service concept as well as inaugurated self-service points of sale with new franchisees, renewing its chain substantially and successfully. Total stores sales were up 26.0% and same store sales were up 4.1%, driven by higher average ticket. In December 2013, Yoggi launched two pilot-stores for new concepts that were developed for the brand: Yoggi Desigual, which relates to the need for renewal and differentiation of the brand in the long term and offers a delicious and healthy dessert (not industrialized, with no artificial ingredients and no chemical), and Yoggi L.A.B., which is a low-investment alternative (micro-franchise) for small spaces (including store in store) and offers uniquely a mixture of 'toppings' and 'frozen yogurt' customized by clients.

In 2013, Doggis changed its communication, focusing on the concepts of 'hot-dog expert' and 'more for less', to attract more customers. Total stores sales were up 42.5% and same store sales were up 27.6%, driven by higher average ticket and number of POS' transactions. In 2014, Doggis will inaugurate points of sale in the two most important airports in Brazil: Congonhas and Guarulhos (Cumbica), both in the city of São Paulo, what is expected to increase its visibility. Also, the brand plans to expand its chain especially in the northeast of Brazil as well as

continuous to increase stores' sales by promoting larger products combos and by exploring the lunch day-part.

In 2013, we inaugurated ten new Pizza Hut restaurants (nine in food court and one Dine in) in São Paulo to counterbalance the participation of Guarulhos (Cumbica) airport restaurant in Pizza Hut restaurants' results. In 2014, we will further expand our total number of Pizza Hut restaurants, especially in airports. Total stores sales were up 20.8% and same store sales were up 5.5%

In 2014, own-operated stores under Bob's, Yoggi, Doggis and KFC brands will be consolidated in one business unit that will work closely to operator's partners, of each store or group of stores, to enhance operations and results through more agile decision making. In 2014, we will inaugurate 16 new own-operated stores under those brands with total investment of R$11.8 million. KFC total stores and same store sales were up 9.4%.

Because the operations of the Company and its subsidiaries are located entirely outside the United States, the Company is considering a future corporate restructuring. This restructuring would eliminate the Company, which is a corporation organized under the laws of the State of Delaware, from the current corporate structure so that all shareholders of the Company would become shareholders of BFFC do Brasil, which is a corporation organized under the laws of Brazil. This restructuring is intended to reconcile the currency, legal and tax jurisdictions of the Company and its subsidiaries with their operations and activities and permit BFFC do Brasil to more efficiently incur debt to finance the operations of the business. The Company expects to consider implementing the restructuring as soon as practicable.

Brazil Fast Food Corp.

Consolidated Financial Statements

December 31, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Brazil Fast Food Corp.
Rio de Janeiro, RJ

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of changes in equity and of cash flows present fairly, in all material respects, the financial position of Brazil Fast Food Corp. and its subsidiaries at December 31, 2013, and the results of their operations and their cash flows for the year ended December 31, 2013 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

Our responsibility is to express opinion on these financial statements based on our integrated audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

March 25, 2014

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1 – S – RJ

Julian Clemente
Contador CRC 1SP 197232/0-6-S-RJ

João Paulo Linhares Areosa
Contador CRC 1 RJ-094462/O-8

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

Consolidated Financial Statements

Balance Sheets – Assets
(in thousands of Brazilian Reais, except share amounts)

	Note #	December 31, 2013	December 31, 2012
CURRENT ASSETS:			
Cash and cash equivalents	4	R$ 50,083	R$ 32,062
Inventories		3,090	3,228
Accounts receivable	5	31,760	25,754
Prepaid expenses		747	892
Advances to suppliers		2,962	2,092
Bob's Marketing fund credits	6a	717	-
Other current assets	6b	3,761	6,601
TOTAL CURRENT ASSETS		93,120	70,629
NON-CURRENT ASSETS:			
Property and equipment, net	8	47,240	39,414
Intangible assets, net	9	13,463	8,280
Deferred tax asset	11.4	10,644	8,565
Goodwill	3.3	1,121	1,121
Other receivables and other assets	6b	13,118	13,667
TOTAL NON-CURRENT ASSETS		85,586	71,047
TOTAL ASSETS		R$ 178,706	R$ 141,676

See Notes to Consolidated Financial Statements

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

Consolidated Financial Statements
Balance Sheets – Liabilities and Equity
(in thousands of Brazilian Reais, except share amounts)

		December 31,	
		2013	2012
CURRENT LIABILITIES:			
Loans and financing	13	R$ 12,816	R$ 14,523
Accounts payable and accrued expenses	10	13,941	13,834
Payroll and related accruals		6,501	4,782
Taxes	11.1	7,884	7,848
Current portion of deferred income	12b	7,537	3,398
Current portion of litigations and reassessed taxes	12d	2,381	2,090
Other current liabilities		144	-
TOTAL CURRENT LIABILITIES		51,204	46,475
Deferred income, less current portion	12b	8,877	1,608
Loans and financing, less current portion	13	10,744	6,397
Litigations and reassessed taxes, less current portion	12d	20,190	18,472
Other liabilities	14	2,170	3,093
TOTAL NON-CURRENT LIABILITIES		41,981	29,570
TOTAL LIABILITIES		93,185	76,045
EQUITY	15		
Preferred stock, $.01 par value, 5,000 shares authirized; no shares issued		-	-
Common stock, $.0001 par value, 12,500,000 shares authorized; 8,472,927 shares issued for both years 2013 and 2012; 8,129,437 shares outstanding for both years 2013 and 2012		1	1
Additional paid-in capital		61,148	61,148
Treasury Stock (343,490 shares)		(2,060)	(2,060)
Retained earnings		23,450	3,527
Accumulated comprehensive loss		(1,769)	(1,115)
TOTAL EQUITY		80,770	61,501
Non-Controlling Interest		4,751	4,130
TOTAL EQUITY		85,521	65,631
TOTAL LIABILITIES AND EQUITY		R$ 178,706	R$ 141,676

See Notes to Consolidated Financial Statements

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

Consolidated Financial Statements
Statements of Operations
(in thousands of Brazilian Reais, except share amounts)

	Note #	Year Ended December 31, 2013	2012	2011
REVENUES FROM RESTAURANTS AND FRANCHISEES				
Net Revenues from Own-operated Restaurants	23	*R$ 206,688*	*R$ 178,107*	*R$ 170,249*
Net Revenues from Franchisees	23	52,552	45,315	35,223
TOTAL REVENUES FROM RESTAURANTS AND FRANCHISEES		*259,240*	*223,422*	*205,472*
OPERATING COST AND EXPENSES				
Store Costs and Expenses	23	(196,311)	(163,724)	(157,456)
Franchise Costs and Expenses	23	(14,656)	(15,650)	(11,704)
Administrative Expenses	16	(34,120)	(33,636)	(31,993)
Income from Trade Partners	18	26,773	22,184	19,191
Other Income		1,283	2,289	2,130
Other Operating Expenses	17	(11,789)	(5,584)	(7,637)
Impairment of assets	21	-	-	(1,883)
Net result of assets sold		2,878	(411)	310
TOTAL OPERATING COST AND EXPENSES		*(225,942)*	*(194,532)*	*(189,042)*
OPERATING INCOME		33,298	28,890	16,430
Interest Expense, net	19	(2,431)	(467)	1,297
NET INCOME BEFORE INCOME TAX		30,867	28,423	17,727
Income taxes - deferred	11.3	2,343	1,089	(2,432)
Income taxes - current	11.3	(12,666)	(7,552)	(4,629)
NET INCOME BEFORE NON-CONTROLLING INTEREST		20,544	21,960	10,666
Net (income) loss attributable to non-controlling interest		(621)	(1,252)	(1,812)
NET INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.		R$ 19,923	R$ 20,708	R$ 8,854
NET INCOME LOSS PER COMMON SHARE BASIC AND DILUTED		R$ 2.45	R$ 2.55	R$ 1.09
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: BASIC AND DILUTED		8,129,437	8,129,437	8,130,717

See Notes to Consolidated Financial Statements

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

Consolidated Financial Statements
Statements of Comprehensive Loss
(in thousands of Brazilian Reais)

	Year Ended December 31,		
	2013	2012	2011
NET INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 19,923	R$ 20,708	R$ 8,854
Other comprehensive income (loss):			
Foreign currency translation adjustment	(654)	13	(37)
COMPREHENSIVE INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 19,269	R$ 20,721	R$ 8,817

There are no comprehensive income components attributable to non-controlling interests. Accordingly, Consolidated Statements of Comprehensive Income (Loss) is derived from Net Income (Loss) attributable to BFFC.

See Notes to Consolidated Financial Statements

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

Consolidated Financial Statements
Statements of Changes in Equity
(in thousands of Brazilian Reais)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Comprehensive Loss	Total Shareholders' Equity	Non-Controlling Interest	Total Equity
	Shares	Par Value							
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
Net income	-	-	-	-	19,923	-	19,923	621	20,544
Cumulative translation adjustment	-	-	-	-	-	(654)	(654)	-	(654)
Balance, December 31, 2013	8,129,437	R$ 1	R$ 61,148	R$ (2,060)	R$ 23,450	R$ (1,769)	R$ 80,770	R$ 4,751	R$ 85,521

See Notes to Consolidated Financial Statements

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES

Consolidated Financial Statements
Statements of Cash Flows
(in thousands of Brazilian Reais)

	Year Ended December 31,		
	2013	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES:			
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 19,923	R$ 20,708	R$ 8,854
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	8,816	7,452	7,240
(Gain) Loss on assets sold and impairment of assets	(2,878)	411	1,573
Deferred income tax asset	(2,079)	(187)	3,614
Deferred income tax liability	-	(1,262)	(1,190)
Non-controlling interest	621	1,252	1,812
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(6,006)	(8,648)	(1,176)
Inventories	138	757	(531)
Prepaid expenses and other current assets	(3,821)	(524)	(1,036)
Other assets	549	(2,805)	946
(Decrease) increase in:			
Accounts payable and accrued expenses	107	2,226	(14,240)
Payroll and related accruals	1,719	(836)	(953)
Taxes	5,972	2,828	84
Other liabilities	939	3,500	(755)
Deferred income	11,408	(169)	1,480
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	35,408	24,703	5,722
CASH FLOW FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(24,241)	(17,974)	(9,116)
Yoggi acquisiton (note 3.2.3)	-	(2,000)	-
Exchange of shares (notes 3.2.2)	(1,089)	(1,089)	-
Proceeds from sale of property, equipment and deferred charges	5,957	3,523	4,777
CASH FLOWS USED IN INVESTING ACTIVITIES	(19,373)	(17,540)	(4,339)
CASH FLOW FROM FINANCING ACTIVITIES:			
Net Borrowings (Repayments) under lines of credit	2,640	4,329	2,512
Acquisition of Company's own shares	-	-	(114)
Non-contoling paid in capital	-	-	871
Non-contoling dividend paid by IRB	-	(800)	-
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,640	3,529	3,269
EFFECT OF FOREIGN EXCHANGE RATE	(654)	13	(37)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,021	10,705	4,615
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32,062	21,357	16,742
CASH AND CASH EQUIVALENTS AT END OF YEAR	R$ 50,083	R$ 32,062	R$ 21,357

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements
(in thousands of Brazilian Reais, unless otherwise stated)

NOTE 1 - BUSINESS CONTEXT

The Company was incorporated in the state of Delaware, United States, on September 16, 1992. Its business purposes are to provide food services through the operation of own- and franchise-operated restaurants and kiosks (collectively "point of sales") primarily in Brazil – where it manages one of the largest local food service groups – and also in Angola and Chile.

Below, summaries of the Company's business per brand are given:

BOB'S Brand

Since March 1996 the Company has owned this brand, operated stores directly and managed a franchise chain which includes: (i) the selection of franchise operators; (ii) making decisions regarding the chain's products and overall characteristics; (iii) the administration of the Bob's marketing fund. Besides Brazil (where the vast majority of its operations are focused), the Bob's trade mark is present in Angola and Chile through local franchise operators.

KFC Brand

Since the first quarter of 2007 the Company has operated points of sale in the cities of Rio de Janeiro and São Paulo as a franchisee of KFC (a Yum! Restaurants International brand).

PIZZA HUT Brand

Since the last quarter of 2008 the Company has operated restaurants in the São Paulo metropolitan area as a franchisee of Pizza Hut (a Yum! Restaurants International brand). See note 3.2.4.

DOGGIS Brand

Since the last quarter of 2008 the Company has represented this Chilean hot-dog chain in Brazil as a Master Franchisee of Gastronomía & Negocios Sociedad Anonima ("G&N"), one of the fast food leaders in Chile and the owner of the Doggis hot-dog chain, which has 250 stores in Chile. See note 3.2.2.

YOGGI Brand

In May 2012 the Company acquired the Yoggi brand, a Brazilian frozen yogurt chain in operation since 2008, since which time it has managed this franchise chain. See note 3.2.3.

NOTE 2 - FINANCIAL STATEMENT PRESENTATION

The accompanying Consolidated Financial Statements of Brazil Fast Food Corp. and its subsidiaries (jointly referred to as “the Company”, “BFFC” or “Brazil Fast Food”) have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively “IFRSs”) issued by the International Accounting Standards Board (IASB).

The Company began to present its financial statements in accordance with IFRS in the 2013 interim periods. Up to December 31, 2012 the Company prepared and presented its financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The Company made an assessment of the accounting policies used in its business and concluded that this change would result in no material difference to its current financials and results of operations. See note 24.

The present statements and the accompanying notes are reported in Brazilian Reais (legal currency of Brazil - “Reais” or “R$”) except where stated otherwise. The Company’s operating (functional) currency is the Real, and this is the currency used to prepare and present these Financial Statements.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Company’s management to exercise judgment in applying the Company's accounting policies to determine the appropriate amounts to be recorded in the Financial Statements. When significant items are subject to such estimates and assumptions, this can affect the value of the assets, liabilities, revenues, expenses and disclosures in the Financial Statements. The actual results may differ from these estimates.

The Consolidated Financial Statements for the year ended December 31, 2013 were approved by the Board of Directors on March 25, 2014.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of the Consolidated Financial Statements have been consistently applied to all the periods presented and are summarized below.

3.1 - CLASSIFICATION AND EVALUATION OF BALANCE SHEET ITEMS

Assets and liabilities are recorded as current when they are likely to be realized or settled within the coming twelve-month period. In all other cases, assets and liabilities are classified as non-current.

Current assets are valued at the lower of cost and fair value. Current liabilities are stated at their historical nominal value.

Non-current assets are valued at cost, but written down to their fair value if a decline in value is not expected to be temporary. Non-current liabilities are disclosed at their historical nominal value.

The assets and liabilities denominated in foreign currency were converted to Brazilian Reais by the exchange rate on the balance sheet date. The effects of exchange rate gains or losses are recognized in the statement of operations.

3.2 – CONSOLIDATION INFORMATION

The consolidated financial statements combine the information from the financial statements of Brazil Fast Food Corp and its subsidiaries, as listed below:

Subsidiary	Brand	Type of Business	Ownership percentage September 30, 2013	Ownership percentage September 30, 2012	See Item
BFFC do Brasil Participações Ltda	None	Brazilian holding	100%	100%	
Venbo Comércio de Alimentos Ltda ("Venbo")	Bob's	Own-operated stores and franchise chain management	100%	100%	
LM Comércio de Alimentos Ltda ("LM")	Bob's	Own-operated stores	99.9%	99.9%	
PCN Comércio de Alimentos Ltda ("PCN")	Bob's	Own-operated stores	99.9%	99.9%	
Schott Comércio de Alimentos Ltda ("Schott")	Bob's	Own-operated stores	99.9%	-	
CFK Comércio de Alimentos Ltda ("CFK")	KFC	Franchisee operator	99.9%	99.9%	
CFK São Paulo Comércio de Alimentos Ltda ("CFK")	KFC	Franchisee operator	99.9%	99.9%	
FCK Comércio de Alimentos Ltda ("FCK")	KFC	Franchisee operator	99.9%	99.9%	
Little Boss Comércio de Alimentos Ltda ("Little Boss")	KFC	Franchisee operator	99.9%	-	
CLFL Comércio de Alimentos Ltda ("CLFL")	KFC	Franchisee operator	99.9%	-	
MPSC Comércio de Alimentos Ltda. ("MPSC")	KFC	Franchisee operator	99.9%	99.9%	
DGS Comércio de Alimentos Ltda ("DGS")	Doggis	Local Master Franchisee	100%	80%	**3.2.2**
Yoggi do Brasil Ltda ("Yoggi")	Yoggi	Franchise chain management	100%	-	**3.2.3**
Internacional Restaurantes do Brasil S. A. ("IRB")	Pizza Hut	Franchisee operator	60%	60%	**3.2.4**

Information from the subsidiaries' financial statements is included in the consolidated financial statements from the date they start to be controlled by the Company until the date such control ceases. The subsidiaries' accounting policies are aligned with the policies adopted by the Company.

3.2.1 – Basis of Consolidation

The Consolidated Financial Statements includes the accounts of the Company and its (direct and indirect) subsidiaries.

The Company's wholly-owned subsidiaries as of September 30, 2013 are BFFC do Brasil, Venbo, PCN, LM, CFK-RJ, CFK-SP, FCK, MPSC, DGS, SCHOT, LITTLE BOSS, CLFL and Yoggi. As disclosed in note 3.2 and 3.2.4, 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. DGS's results are fully consolidated for the twelve months ended December 31, 2013. For the period ended December 30, 2012, though, the Company identified the non-controlling interests in DGS (see item 3.2.2).

All intercompany accounts and transactions (assets, liabilities, income and expenses) have been eliminated in consolidation. The Company has no involvement with variable interest entities.

3.2.2 – Controlling interest in DGS

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 owner of the Doggis hot-dog chain, which has 250 stores in Chile.

According to 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 would own 20% of DGS.

During the 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 brand in Brazil. G&N owns 100% of BBS's capital shares and will continue to develop the Bob's brand in Chile.

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

3.2.3 – Acquisition of Yoggi

In May 2012, the Company acquired Yoggi do Brasil Ltda ("Yoggi"), which has operated a frozen yogurt franchise network in Brazil since 2008. Yoggi's operating results have been fully consolidated since the acquisition.

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 9).

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

3.2.4 – Acquisition of IRB

In December 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 individuals, including the CEO of IRB. IRB is also consolidated and figures related to its non-controlling interests are stated in the Company´s equity and income. 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.

3.3 – 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 has two steps. In 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). In step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill is greater than 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's goodwill. The 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 excess of fair value over recognized acquired assets and liabilities was recognized as goodwill (non-current assets) at an amount of R$1.1 million in December 2012. R$799 thousand of this was allocated to IRB unit (see 3.2.4) and R$322 thousand was allocated to Yoggi unit (see 3.2.3).

Management requested third-party assistance in obtaining the fair value of IRB and Yoggi's long-lived assets acquired as per IASB IFRS 3 "Business Combinations"

An annual goodwill impairment test is conducted in the fourth quarter, comparing the fair value of reporting units, generally based on discounted future cash flows, with their carrying amount including goodwill. If goodwill is determined to be impaired, the loss is measured as the excess of the reporting unit's carrying amount over its fair value. Company's annual goodwill impairment test did not result in any impairment loss during the years ended December 31, 2013 and 2012.

3.4 – FOREIGN CURRENCY

Assets and liabilities recorded in functional currencies other than Brazilian Reais are translated into Brazilian Reais at the exchange rate reported by the Central Bank of Brazil for the balance sheet date. Revenues and expenses are translated at the weighted average exchange rate 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.

3.5 – 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.

3.6 – ACCOUNTS RECEIVABLE

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

On December 31, 2013, the Company had approximately 1,070 franchised points of sale (approximately 952 on December 31, 2012). A few of them may undergo financial difficulties in the course of their business and may therefore fail to pay their monthly royalty fees.

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; 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. 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 these receivables in 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 royalty fees, the Company may renegotiate such debts with the franchisee and collect them in installments. The Company may also mediate 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”.

3.7 – INVENTORIES

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

3.8 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation of 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

3.9 – INTANGIBLE ASSETS

Intangible assets, which are comprised of (i) leasehold premiums paid in advance for rented outlet premises; (ii) initial franchise fees, stated at cost less accumulated amortization; and (iii) the fair value of the brand and customer portfolio (franchise contracts) allocated in connection to Yoggi acquisition.

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

3.10 – PRE-OPENING 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.

3.11 – REVENUE RECOGNITION

Restaurant sales revenue is recognized when a purchase in a 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 credit in the Company's 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 exist until the trade partner agrees on the exact amount.

When revenues from trade partners' agreements are received in advance in cash, they are recognized as deferred income and are charged to income on a straight line basis over the term of the related trade partner agreement on a monthly basis. Income obtained from the lease of any of the Company's properties, administration fees on the marketing fund, and nonrecurring gains are all 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, whereby 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 in both sales prices and 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 item 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 composition of Gross and Net Revenues is disclosure at note 23.

3.12 – MARKETING EXPENSES

3.12.1 – Bob's, Yoggi and Doggis Brands

According to the Company's franchise agreements, each brand manages a marketing fund for advertising and promotions, comprised of financial contributions paid by its franchisees as well as the Company's own-operated restaurants, in the case of Bob's. Each brand marketing fund is managed separately and must be used in the best interest of each brand's chain through the best efforts of each brand marketing department.

Franchisees' marketing fund contributions are billed monthly and recorded on an accrual basis. A corresponding amount is recorded as a liability.

In general, franchisees pay a percentage of their gross monthly sales every month to the respective brand's marketing fund (4% Bob's, 2% Yoggi and 4%Doggis). Since 2006, the gross monthly sales from own-operated restaurants (except for sales from special events) have also been subject to the marketing fund contribution. These contributions can be deducted from the Company's marketing department expenses if previously agreed with franchisees. However, total marketing investments may be greater than percentage of combined sales if a supplier makes an extra contribution (joint marketing programs) or if more own resources are used on marketing, advertising and promotions.

Franchisees may also invest directly in advertising and promotions for their own stores, upon prior receipt of consent.

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

Periodically, meetings are held 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 unspent resources from the marketing funds is recognized as accrued accounts payable. On December 31, 2013 there was no balance of this type and on December 31, 2012, this amount was R$2.1 million. These balances represented contributions made by the Company and franchisees that had not yet been used in campaigns.

Marketing funds expenses on advertising and promotions are recognized as incurred. Total marketing investments financed by the marketing fund amounted to R$51.8 R$41.6 million and R$38.8 million for the twelve-month periods ended December 31, 2013, 2012 and 2011, respectively.

3.12.2 - 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 and Pizza Hut's monthly net sales in local marketing and advertising.

Marketing expenses on KFC and Pizza Hut advertising and promotions are recognized as incurred and amounted to amounted R$6.5 million, R$8.1 million and R$ 5.3 million for the twelve-month periods ended December 31, 2013, 2012 and 2011, respectively.

3.13 – INCOME TAXES

The Company accounts for income tax in accordance with guidance provided by the IASB IAS 12 Income Tax. According to 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 carry-forwards 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 any change in tax rates or deferred tax assets and liabilities is recognized in income in the period it is enacted.

The effect of income tax positions is recorded only if those positions are "more likely than not" to be 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 there are no material charges related to interest and penalties at the current time, such costs, if incurred, are reported within the provision for income taxes.

3.14 – IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

The Company adopted guidance on the impairment or disposal of long-lived assets in the IASB IAS 36 Impairment of Assets, which require an impairment loss to be recognized if the carrying amount of a long-lived asset is not recoverable and its carrying amount exceeds its fair value. Also, this guidance requires 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 discounted 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 estimates of discounted future cash flows.

For the purposes of impairment testing for its long-lived assets, the Company's management has concluded that an individual point of sale is the lowest level of independent cash. The Company reviews long-lived assets of such individual points of sale (primarily Property & Equipment and allocated intangible assets subject to amortization) that are currently operating for impairment on an annual basis 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 estimates of sales growth and margin improvement based on the Company's plans for the unit and actual results at comparable points of sale. For point of sale

assets that are deemed not to be recoverable, the impaired point of sale is written down to its estimated fair value. The key assumptions in the determination of fair value are the future discounted cash flows for the point of sale. The discount rate used in the fair value calculation is the Company's estimate of its 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 the years ended December 31, 2013 and 2012, the Company's review made in accordance with this guidance derived no charges on the income statement.

3.15 – COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, 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.

3.16 – BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS are computed based on weighted average shares outstanding and exclude any potential dilution. Diluted EPS reflect potential dilution from the exercise or conversion of securities into common stock or from other contracts for the issue of common stock. There were no common share equivalents outstanding at December 31, 2013 and 2012 that would have had a dilutive effect on earnings for the respective periods.

3.17 – FAIR VALUE MEASUREMENTS

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the greatest possible extent. 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: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides

the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

• Level 2 Inputs: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

• Level 3 Inputs: Unobservable inputs are used to measure fair value when relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

3.18 – RECENTLY ISSUED ACCOUNTING STANDARDS

The following standards were recently adopted by the Company:

- IFRS 11 – Joint Arrangements - replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Under this standard, joint arrangements are classified as joint operations or as joint ventures according to the rights and obligations of the parties of the joint arrangements. Joint ventures are recorded under the equity method of accounting, while jointly controlled entities can be accounted for under the equity method or the proportionate accounting method. The new standards are effective for annual periods beginning January 1, 2013. The adoption of IFRS 11 in 2013 did not have an effect on the Company’s consolidated financial statements.

- IAS 28 – Investment in Associates and Joint Ventures – This standard guides the recognition of investments in associates and joint ventures, defining the requirements for equity method application on such types of investments. The new standards are effective for annual periods beginning January 1, 2013. The adoption of IAS 28 in 2013 did not have an effect on the Company’s consolidated financial statements.

- IAS 19 - Employee benefits – This standards guides the recognition and disclosure of the benefits granted to employees. Also, this standard requires the companies to recognize: (a) a liability when the employee rendered a service in exchange of benefits to be paid in the future; and (b) an expense when the Company uses the economic benefit deriving

from service received from the employee in exchange of benefits to this employee. The new standards are effective for annual periods beginning January 1, 2013. The adoption of IAS 19 in 2013 did not have an effect on the Company's consolidated financial statements.

- IFRS 10 – Consolidation Financial Statements - The objective of this standard is to outlines the requirements for the presentation and preparation of consolidated financial statements when a legal entity controls one or more entities. The new standards are effective for annual periods beginning January 1, 2013. The adoption of IFRS 10 in 2013 did not have an effect on the Company's consolidated financial statements.

- IFRS 12 – Disclosure of interest in other entities – This standard guides a wide range of disclosure about the entity's interest in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The requirements of this standard enable the users of the financial statements to evaluate the risks inherent to these participations and their effects on its equity and financial position, its financial performance and its respective cash flows. The new standards are effective for annual periods beginning January 1, 2013. The adoption of IFRS 12 in 2013 did not have an effect on the Company's consolidated financial statements.

- IFRS 13 – Fair Value Measurement - This standard defines fair value, provides a single framework for measuring fair value and requires the disclosures fair value measurement. The new standards are effective for annual periods beginning January 1, 2013. The adoption of IFRS 13 in 2013 did not have an effect on the Company's consolidated financial statements.

The following standards were recently issued or amended but not yet adopted by the Company:

- IFRS 9 - Financial instruments – Classification and measurement - IFRS 9 concludes the first part of the project that substitutes "IAS 39 – Financial Instruments: Recognition and Measurement". IFRS 9 uses a simple approach to determine if a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments (its business model) and the contractual cash flow that characterizes the financial assets. The standard also requires the adoption of only one method to calculate impairment. This standard is effective for fiscal years starting January 1, 2015 and the Company does not expect significant effects as a result of its adoption.

- IAS 32 – Financial instruments: Presentation – This standard applies to fiscal years starting January 1, 2014 and set guidelines on the offsetting of financial assets and liabilities. The Company does not expect significant effects as a result of its adoption.

A number of other new standards, amendment to standards and new interpretations became mandatory for the first time for the financial year beginning January 1, 2013, and have not been listed in the present Consolidated Financial Statements because of either their non-applicability to or their immateriality to the Company´s consolidated financial statements.

3.19 – RECLASSIFICATIONS

The Consolidated Financial Statements for the twelve months ended December 31, 2012 and 2011, have been restated to conform to the current quarter's presentation, since income from suppliers has been moved from total revenues to be presented as other income in the consolidated statements of operations.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

R$'000	December 31,	
	2013	2012
Cash at point of sales	R$ 990	R$ 1,302
Cash with money collectors	694	183
Bank accounts	34,580	3,797
Investments funds (a)	13,819	26,780
	R$ 50,083	R$ 32,062

(a) The Company invests its temporary overflow of cash in financial funds original maturities of less than three months. These investments are substantially pegged to the CDI interest rate (see note 13).

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following:

R$'000	December 31,			
	2013		2012	
Clients - food sales	R$	10,077	R$	6,598
Franchisees - current accounts		11,556		11,352
Franchisees - renegotiated past due accounts		1,832		1,465
Franchisees - receivable from sales of assets		1,265		302
Franchisees - marketing fund receivable		7,193		6,257
Allowance for doubtful accounts		(163)		(220)
	R$	31,760	R$	25,754

Clients – food sales includes receivables from the sale of products at the Company's own-operated restaurants, basically from debt, credit and meal vouchers 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 very 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:

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:

Schedule of activity - Allowance for doubtful accounts	December 31,			
R$ '000	2013		2012	
Balance January 1,	R$	(220)	R$	(801)
Increase in allowance for doubtful accounts during the year		(136)		(306)
Write-off during the year		55		470
Reversal of previous accrual - accounts received or renegotiated		138		417
Balance December 31,		(163)		(220)

NOTE 6 - BOB'S MARKETING FUND CREDITS, OTHER RECEIVABLES AND OTHER ASSETS

a) Bob's Marketing fund credits

Bob´s Marketing fund credits in the amount of R$717 consist of resources funded by the Company related to:

- Bob's Brand Convention 2014 – Comprised of advances in order to book hotel in which the Company will hold the event next year. These advances will be realized or/and recovered by the Company when its vendors contributes with their sponsorship and when our franchisees book their participation, which will probably occur during the first quarter of 2014.

- Increase of competitors pressure on disputing fast food market share - Due to the current macro-economic and competition environment, the Company increased its investment in media, especially in increasing TV campaigns as compared to 2012.

b) Other receivables and Other assets

Other receivables and other assets consist of the following:

Other current assets:

	December 31,			
	2013		2012	
Witholding taxes	R$	1,097	R$	1,732
Receivables from suppliers (a)		530		2,945
Franchise receivable other than royalties - current portion (b)		1,671		1,804
Other current receivables		463		120
	R$	3,761	R$	6,601

Other receivables and other assets:

	December 31,			
	2013		2012	
Franchise receivable other than royalties - non-current portion (b	R$	643	R$	1,645
Judicial deposits (c)		11,252		10,503
Properties for sale (d)		1,223		1,142
Other receivables		-		377
	R$	13,118	R$	13,667

(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. In addition, the Company has receivable from suppliers related to performance bonus;

(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; and

(d) The Company has sold its real estate properties, as discussed in note 7. A portion of the sale was not finalized until Dezember 31, 2013, and the Company recorded the carrying amount (cost of acquisition, net of accumulated depreciation) as property for sale (R$1,142);

NOTE 7 - SALE OF ASSETS

During the third quarter of 2010 the Company sold seven out of its eight properties which it owned. Some legal issues have held up the sale of the one remaining property which is classified in the Properties for Sale account (see NOTE 6 (d)).

During the first quarter of 2013, the Company sold two stores to third parties which start to operate them as the Company franchisees. In connection with such transaction, the Company recorded a gain on its operating results in the amount of R$3.0 million. Together with other sale of assets transactions or assets disposals, total Net Result of Asset Sold totaled R$2,878 for the twelve-month period ended December 31, 2013.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

R$'000	December 31, 2013	December 31, 2012
Leasehold improvements	R$ 38,023	R$ 32,999
Machinery, equipment and software	41,717	38,646
Furniture and fixtures	9,865	8,745
Assets under capitalized leases	201	674
Vehicles	266	266
Work in progress	4,025	64
	94,097	81,394
Leasehold improvements	(18,990)	(16,194)
Machinery, equipment and software	(22,686)	(21,392)
Furniture and fixtures	(5,041)	(4,287)
Vehicles	(140)	(107)
Less: Accumulated depreciation and amortization	(46,857)	(41,980)
	R$ 47,240	R$ 39,414

Changes in Property and equipment were as follows:

	December 31, 2012	Additions	Disposals	Transfers	December 31, 2013
Cost					
Leasehold improvements	R$ 32,999	7,250	(2,108)	(118)	R$ 38,023
Machinery, equipment and software	38,646	8,005	(4,098)	(836)	41,717
Furniture and fixtures	8,745	1,404	(407)	123	9,865
Assets under capitalized leases	674	190	(54)	(609)	201
Vehicles	266	-	-	-	266
Work in progress	64	7,067	(2,627)	(479)	4,025
	81,394	23,916	(9,294)	(1,919)	94,097
Accumulated depreciation					
Leasehold improvements	(16,194)	(5,115)	2,256	63	(18,990)
Machinery, equipment and software	(21,392)	(3,248)	98	1,856	(22,686)
Furniture and fixtures	(4,287)	(921)	167	-	(5,041)
Vehicles	(107)	(33)	-	-	(140)
	(41,980)	(9,317)	2,521	1,919	(46,857)
	R$ 39,414	R$ 14,599	R$ (6,773)	R$ -	R$ 47,240

	December 31, 2011	Additions	Disposals	Transfers	December 31, 2012
Cost					
Leasehold improvements	R$ 23,558	6,685	(2,690)	5,445	R$ 32,998
Machinery, equipment and software	35,557	6,282	1,829	(5,031)	38,637
Furniture and fixtures	7,784	1,424	(264)	(198)	8,746
Assets under capitalized leases	674	-	(2)	13	685
Vehicles	266	165	-	(165)	266
Work in progress	-	1,323	(1,195)	(64)	64
	67,839	15,879	(2,322)	-	81,396
Accumulated depreciation					
Leasehold improvements	(9,304)	(1,630)	301	-	(10,633)
Machinery, equipment and software	(23,620)	(5,209)	504	-	(28,325)
Furniture and fixtures	(2,557)	(450)	91	-	(2,916)
Assets under capitalized leases	-	-	-	-	-
Vehicles	(101)	(6)	-	-	(107)
Work in progress	-	-	-	-	-
	(36,497)	(7,295)	896	-	(41,981)
	R$ 31,342	R$ 8,584	R$ (1,426)	R$ -	R$ 39,415

NOTE 9 - INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2013	December 31, 2012
Cost		
Leasehold premiums	R$ 17,196	R$ 12,746
Software	3,563	1,011
Trade mark (a)	608	608
Franchise Contracts acquired (a)	971	971
Franchise Charges	2,438	1,702
	R$ 24,776	R$ 17,038
Accumulated amortization		
Leasehold premiums	R$ (8,393)	R$ (7,713)
Software	(1,625)	-
Franchise Contracts acquired (a)	(95)	(32)
Franchise Charges	(1,200)	(1,013)
	R$ (11,313)	R$ (8,758)
	R$ 13,463	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 3.2.3).

Changes in Intangible assets were as follows:

	December 31, 2012	Additions	Disposals	Transfers	December 31, 2013
Cost					
Leasehold premiums	R$ 12,746	4,727	(278)	1	R$ 17,196
Software	1,011	1,189	(13)	1,376	3,563
Trade mark (a)	608	-	-	-	608
Franchise Contracts acquired (a)	971	-	-	-	971
Franchise Charges	1,702	874	(138)	-	2,438
	17,038	6,790	(429)	1,377	24,776
Accumulated amortization					
Leasehold premiums	(7,713)	(1,310)	630	-	(8,393)
Software	-	(261)	13	(1,377)	(1,625)
Franchise Contracts acquired (a)	(32)	(63)	-	-	(95)
Franchise Charges	(1,013)	(281)	94	-	(1,200)
	(8,758)	(1,915)	737	(1,377)	(11,313)
	R$ 8,280	R$ 4,875	R$ 308	R$ -	R$ 13,463

	December 31, 2011	Additions	Disposals	Transfers	December 31, 2012
Cost					
Leasehold premiums	R$ 10,664	2,099	(15)	-	R$ 12,747
Software	-	1,011	-	-	1,011
Trade mark (a)	-	608	-	-	608
Franchise Contracts acquired (a)	-	971	-	-	971
Franchise Charges	1,374	355	(28)	-	1,702
	12,038	5,044	(43)	-	17,039
Accumulated amortization					
Leasehold premiums	(6,824)	(889)	-	-	(7,713)
Software	-	-	-	-	-
Trade mark (a)	-	-	-	-	-
Franchise Contracts acquired (a)	-	(32)	-	-	(32)
Franchise Charges	(742)	(271)	-	-	(1,013)
	(7,566)	(1,192)	-	-	(8,758)
	R$ 4,472	R$ 3,852	R$ (43)	R$ -	R$ 8,281

The following table sets forth the future amortization expenses:

	Amortization expenses
2014	R$ (1,988)
2015	(1,988)
2016	(1,988)
2017	(1,988)
2018	(1,988)
Thereafter	(3,523)
	R$ (13,463)

NOTE 10 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31,			
	2013		2012	
Suppliers	R$	9,251	R$	7,731
Rent payable		2,186		1,878
Consulting fees		589		29
Accrued utilities		500		247
Marketing fund		183		2,433
Royalty payable		929		574
Other accrued liabilities		303		942
	R$	13,941	R$	13,834

NOTE 11 - TAXES

11.1 – TAX PAYABLE COMPOSITION

Taxes Payable at December 31, is comprised as follows:

	December 31,			
	2013		2012	
Income taxes	R$	3,743	R$	3,145
Taxes Other than Income		4,141		4,703
	R$	7,884	R$	7,848

For the total amount of the Company's income tax payable of R$3,743, R$1,896 is due in the United States and the balance is due in Brazil.

Taxes other than income are comprised of Brazilian taxes due on Company's revenues (PIS, COFINS and ICMS) and withhold taxes due on service contracted from other companies as required by Brazilian tax law.

11.2 – TAX LOSS CARRYFOWARDS

Tax loss carryforwards through December 31, 2013 relating to income tax were R$40.6 million and to social contribution tax were R$65.7 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.

11.3 – INCOME TAX EXPENSE

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$'000	December 31,					
		2013		2012		2011
NET INCOME BEFORE INCOME TAX		30,867		28,423		17,727
Tax (expense) income at the combined statutory rate - 34%	R$	(10,495)	R$	(9,664)	R$	(6,027)
Valuation Allowance (increase) decrease		1,214		(1,012)		(2,517)
Deferred tax given as part of REFIS IV		-		-		(5,537)
Differences between staturory and other tax rates applied to certain subsidiaries (1)		3,064		3,519		2,389
Credits derived from equity restructuring		-		-		2,706
Other permanent differences		(4,105)		694		1,925
Income tax expense as reported in the accompanying consolidated statement of operations	R$	(10,323)	R$	(6,463)	R$	(7,061)

(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 litigation.

11.4 – DEFERRED INCOME TAX

The following table summarizes the composition of deferred tax assets and liabilities and the related valuation allowance at December 31, 2013 and 2012, 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$'000	December 31,	
	2013	2012
Deferred tax assets:		
Tax loss carry forward	R$ 16,067	R$ 15,513
Net temporary differences	3,310	2,998
Total deferred tax assets	19,377	18,511
Valuation allowance	(8,733)	(9,947)
Net deferred tax asset	R$ 10,644	R$ 8,565

Company´s forecast/ts indicate that future operating results will provide taxable income at IRB and CFK-RJ therefore the Company expects to realize 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 and Venbo tax losses which are greater than the respective projected taxable income.

In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately R$30.656. Taxable income for the years ended December 31, 2013 and 2012 was R$20,637 and R$28,423, 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, 2013. 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, 2013, 2012 and 2011:

R$'000	December 31,					
	2013		2012		2011	
Balance at January 1,	R$	(9,947)	R$	(8,934)	R$	(10,678)
Additions		(5,259)		(1,869)		(4,894)
Reversals		6,474		856		1,101
REFIS write-off		-		-		5,537
Balance at December 31,	R$	(8,733)	R$	(9,947)	R$	(8,934)

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.

11.5 – OTHER MATTERS RELATED TO INCOME TAX

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 2008 through 2013.

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.

On November 12, 2013, Provisional Executive Order No. 627 (“MP 627”) was enacted. Among other issues addressed, it revokes the Transition Tax Regime (“RTT”) set forth by article 15 of Law No. 11.941/2009, and amends the legislation related to Brazilian Federal taxes and Social Contributions.

The MP also revokes several provisions of tax legislation, as from January 01, 2015, which are mostly still pending discussion or which can be questioned in judicial and/or administrative levels. The MP will be in effect as from January 01, 2015 for the majority of it matters. However, the aforementioned MP allows the taxpayer opts for anticipating the effects for 2014.

The Company has analyzed the effects of the MP 627 and concluded that its early adoption or not would not have a material impact on its financial statements. The Management will monitor possible changes to the content of this Provisional Executive Order until its conversion into law.

NOTE 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, 2013 are as follows:

R$'000

Fiscal Year	Contractual Leases
2014	18,030
2015	5,835
2016	3,909
2017	3,442
2018	2,350
Thereafter	2,830
Total	36,396

Rent expense was R$20.9 million, R$19.2 million, and R$17.4 million for the years ended December 31, 2013, 2012, and 2011, respectively.

b) Commitments with trade partners – Deferred income

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 equipment 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.

The Company settles agreements with beverage and food suppliers, and for each product it negotiates a monthly performance bonus which depends on the product's sales volume to its chains (including own-operated and franchise operated stores). The performance bonus, or vendor bonus, can be paid monthly or in advance (estimated), depending on the agreement terms negotiated with each supplier.

When a vendor bonus is received in advance in cash, it is recorded as an entry in "Cash and Cash Equivalents" with a corresponding credit in Deferred Income and is recognized on a straight-line basis over the term of the related supply agreement on a monthly basis.

As of December 31, 2013 the Company had the amount of R$7.5 million (R$3.4 million in 2012) recorded as Current portion of Deferred Income and R$8.9 million (R$1.6 million in 2012) 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) Litigation Reassessed taxes

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

R$'000	December 31, 2013			December 31, 2012		
	Total Liability	Current Liability	Long Term Liability	Total Liability	Current Liability	Long Term Liability
Reassessed taxes						
Federal taxes (REFIS IV)	2,070	2,070	-	2,090	2,090	-
Federal taxes (REFIS 2013)	3,114	311	2,803	-	-	-
Contingencies						
REFIS IV	5,385	-	5,385	7,051	-	7,051
ISS tax litigation	9,526	-	9,526	8,519	-	8,519
Labor litigation	2,098	-	2,098	2,174	-	2,174
Property leasing and other litigation	378	-	378	728	-	728
TOTAL	22,571	2,381	20,190	20,562	2,090	18,472

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 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 amnesty program in September 2009 (“REFIS IV”). 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. It 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. In 2013, the Company received a negative response from the Brazilian government. The Company therefore filed a second administrative appeal and is in the process of gathering all the documentation required to file a judicial claim against the Brazilian Internal Revenue Service. 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.

Under the REFIS IV program, Venbo will pay 133 more monthly installments of approximately R$47,300 and six monthly installments of approximately R$111,700 commencing in January 2014, with interest accruing at rates set by the Brazilian Federal Government (SELIC), which is currently 10.2%p.a.

During the twelve-month period ended December 31, 2013, the Company paid approximately R$2.2 million, including R$0.6 million in interest, related to REFIS IV program (R$2.1 million in 2012, including R$0.5 million in interest).

Besides the debts included in REFIS IV, the Company received other notifications from the Brazilian tax authorities in the last quarter of 2013, claiming that Venbo used invalid tax credits to reduce different federal taxes (mainly income tax, PIS and COFINS). In the same period, the Brazilian tax authority established another federal tax settlement program, named “REFIS 2013”.

The Company's accounting department and tax accounting advisors understand that the Company would probably have a negative outcome if it took this matter to court, and accordingly the Company's management opted to include these debts in the REFIS 2013 program.

Under the terms of this new tax amnesty program, the amounts due through December 31, 2013, will be paid in 120 monthly installments, an 80% reduction in the penalty, a 40% reduction in interest, and a 100% reduction in legal charges.

The debts included in this program have been recorded in the Company's financial statements as follows: R$1,436 as Other Operating Expenses and R$1,293 as Interest Expenses in 2013 in its Statement of Operations, and a total counterpart of R$2,729 as a liability in the balance sheet as at December 31, 2013.

LITIGATION

- 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.

- Income tax notice

In 2006 the Company set up a Brazilian holding company, BFFC do Brasil Comércio e Participações Ltda ("BFFC do Brasil", formerly 22N Participações Ltda), via the capital contribution of the equity interest the Company held in Venbo Comércio de Alimentos Ltda ("Venbo").

Through this restructuring, the Company started to consolidate its businesses in Brazil through BFFC do Brasil, resulting in enhanced management decisions, improved efficiency, and easier access to bank loans. All these developments derived from the Company's multi-brand strategy, which involved the operation in Brazil of international fast-food brands such as KFC, Pizza Hut and Doggis, followed by the acquisition of the Yoggi's brand (local frozen yogurt franchisee).

In addition to the operating benefits, this restructuring generated income tax credits for Venbo for the five years subsequent to 2006.

The Company's restructuring process and related tax benefits were reported on the Company's Consolidated Financial Statements as at December 31, 2006 and 2007.

In the second semester of 2013, Venbo Comércio de Alimentos Ltda ("Venbo"), an indirect subsidiary of the Company, received notice from the Brazilian tax authorities requiring an inspection of its tax records. The tax inspectors found that a restructuring carried out in 2006, which was related to a consolidation of the Company's businesses in Brazil and which generated income tax credits for Venbo, constituted abusive tax planning. As a consequence, Venbo was fined R$17 million. The Company filed an administrative appeal against the penalty charged by the Brazilian Internal Revenue Service ("RFB").

The Company estimates that the RFB's decision on whether it will uphold its decision will take two or three years at the administrative level. Should it uphold the tax assessment, the Company will take the matter to court, where it and its legal advisors expect to obtain a positive outcome. Based on these estimates the Company did not accrue any liability related to this issue in its Consolidated Financial Statements as at December 31, 2013. There can be no assurance that this tax assessment will not have a material impact on the business.

- 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, 2013, the Company had deposited R$9.4 million (R$8.4 million by December 31, 2012), 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

As of December 31, 2013, the Company accounted for R$1.8 million for labor-related liabilities (R$1.5 million in December 31, 2012), 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, 2013 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$33.1 million. For those claims no liability was recorded in the Company´s balance sheet as per the accounting practices.

NOTE 13 - LOANS AND FINANCING

As of December 31, 2013, and December 31, 2012 we had the following debt obligations with financial institutions:

Type and Financial and institution	Short tem		Long term	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Working capital - HSBC Bank (a)	R$ 3,327	R$ 8,680	R$ -	R$ -
Working capital - Banco Bradesco (b)	1,104	1,111	2,122	3,261
Working capital - Banco do Brasil (c)	1,656	1,667	1,122	2,791
Working capital - Banco Bradesco (d)	156		227	-
Working capital - Banco Bradesco (e)	1,250	-	2,916	-
Working capital - Banco Itaú (f)	1,236	-	2,987	-
Working capital - Banco Itaú (g)	750	-	750	-
Working capital - Banco Itaú (h)	2,836	-	-	-
Equipment financing - BNDES (i)	431	115	487	345
Working capital - HSBC Bank (j)	-	2,950	-	-
Working capital - HSBC Bank (k)	70	-	133	-
	R$ 12,816	R$ 14,523	R$ 10,744	R$ 6,397

Loans information is summarized below:

	Financial charges	Currency	Maturity	# installments	Monthly installments	collateral
(a)	Interets of 13.6% a.a.	R$	2013	Due on demand		Receivables
(b)	Interets of 12.6% a.a.	R$	Nov, 2016	35	R$92	Receivables
(c)	Interets of 12.9% a.a.	R$	Aug, 2015	20	R$138	Receivables
(d)	Interets of 13.6% a.a.	R$	Mai, 2016	29	R$13	Receivables
(e)	Interets of 12.6% a.a.	R$	Mar, 2017	40	R$104	Receivables
(f)	Interets of 15.0% a.a.	R$	Jun, 2017	41	R$103	Receivables
(f)	Interets of 16.3% a.a.	R$	Dec, 2015	24	R$63	Receivables
(h)	Interets of 14.8% a.a.	R$	2013	Due on demand		Receivables
(i)	Interets of 12.3% a.a.	R$	Jun, 2017	42	R$18	Equipment
(j)	Interets of 11.8% a.a.	R$	Loan entirely paid			Receivables
(k)	Interets of 13.6% a.a.	R$	Dec, 2016	36	R$6	Receivables

At December 31, 2013, future maturities of loans and financing are as follows:

2014	R$	12,816
2015		6,079
2016		3,731
2017		935
	R$	23,560

From the total debt of R$23.6 million, R$6.7 million have variable interest rates based on CDI. 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. Based on these outstanding amounts, a 100 basis point change in interest rates would raise our interest expense by approximately R$0.1 million at December 30, 2013.

NOTE 14 - 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$2,170 as other liabilities in its consolidated balance sheet as of December 31, 2013 (R$3,015 in 2012).

NOTE 15 - 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, 2013 and 2012:

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, 2013, 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.

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, 2012 and 2013 there were no dividends paid.

NOTE 16 - ADMINISTRATIVE EXPENSES

Administrative Expenses consist of the following:

R$ 000'	Year Ended December 31,		
	2013	2012	2011
Payroll & Related Benefits	11,873	13,027	12,547
Occupancy expenses	2,738	1,805	1,664
Contracted Services	15,058	13,711	12,401
Travel and transport expenses	1,329	1,129	1,817
Other Administrative Expenses	2,309	3,964	3,564
	34,120	33,636	31,993

NOTE 17 - OTHER OPERATING EXPENSES

Other expenses consist of the following:

R$'000	December 31,		
	2013	2012	2011
Uncollectable receivables	3,482	306	(940)
Logistics expenses	-	-	3,095
Accruals for litigation - labor	1,226	1,410	2,156
Accruals for litigation - tax/ REFIS 2013	1,870	-	989
Depreciation of Headquarters' fixed assets	1,614	1,476	1,429
Preoperating and other expenses	3,597	2,392	908
	R$ 11,789	R$ 5,584	R$ 7,637

The Company regularly and diligently analyzes each one of its franchisees accounts receivable late payments, applying all considerable efforts on collecting these receivables. Nevertheless, the Company wrote-off some accounts following its recoverable criteria during the third and fourth quarters of 2013. Also during the fourth quarter the Company recorded an expenses related to the amnesty program REFIS 2013 (see note 12.d) in the amount of R$1,436. Increases of preopening expenses are mainly attributable to the ten new Pizza Hutt stores open during 2013.

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.

NOTE 18 - INCOME FROM TRADE PARTNERS

As mentioned at notes 3.11 and 12b the Company regularly settles agreements with beverage and food suppliers, and for each product it negotiates a monthly performance bonus which depends on the product's sales volume to its chains (including own-operated and franchise operated stores). The performance bonus, or vendor bonus, can be paid monthly or in advance (estimated), depending on the agreement terms negotiated with each supplier.

When revenues from trade partners' agreements are received in advance in cash, they are recorded as an entry in "Cash and Cash Equivalents" with a corresponding credit in "Deferred Income" and is recognized on a straight-line basis over the term of the related supply agreement on a monthly basis. When the vendor bonus is monthly received (most part of transactions are of this type), the Company records an entry in "Cash and Cash Equivalents" with a corresponding credit in "Income form trade partners".

During the year ended December 31, 2013 the Company recognized R$26.7 million in its Consolidated Statement of Operations (R$22.1 million in 2012 and R$19.1 in 2011), related to such agreements. For the total amount recognized during 2013, R$18.8 million was derived from agreements settled in the same year and R$7.9 was derived from agreements settled in previous years.

NOTE 19 - INTEREST EXPENSE, NET

Interest Expenses, net consist of the following:

	December 31,		
R$'000	2013	2012	2011
Interest income	3,383	3,299	4,024
Interest expenses	(5,814)	(3,766)	(2,727)
	R$ (2,431)	R$ (467)	R$ 1,297

NOTE 20 - 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, 2013 and 2012, such as cash and cash equivalents, trade account and other receivables, loans and financials, 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, 2013 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$50,1 million 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, 2032 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.

NOTE 21 - FAIR VALUE DISCLOSURES

At December 31, 2013 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 Statement of Operations 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 at that date:

R$000'

	Asset fair value as of December 31 2011	Total losses during 2011	%
Plant & Equipment held for use	3,713	867	23.30%
Intangible assets held for use	1,095	1,016	92.80%
	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 2013 and 2012 derived no fair value measure of assets and liabilities.

NOTE 22 - TRANSACTIONS WITH RELATED PARTIES

Among all 1,080 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, 2013 the Company account receivables included R$539 (R$551 in 2012) from them.

NOTE 23 - SEGMENT INFORMATION

The Company owns and operates, both directly and through franchisees, Brazil's second largest fast food restaurant chain, with 1,165 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, 1,018 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. Currently, the Company owns and operates, through its subsidiaries CFK, CFK SP, Little Boss and MPSC, 13 stores in Rio de Janeiro and São Paulo under the KFC brand.

Since December 2008, the Company has operated the Pizza Hut brand in São Paulo, Brazil, through its subsidiary IRB. Currently, the Company owns and operates 32 stores in São Paulo under the Pizza Hut brand.

Since September 2008, the Company has operated the Doggis brand in Brazil, through its subsidiary, DGS. In 2011, the Company converted all of its own-operated Doggis stores to franchised stores. Currently, 20 points of sale are operated by franchisees under Doggis' brand.

In May 2012, the Company acquired Yoggi, a frozen yogurt chain which operates in Brazil since in 2008. Currently, 42 points of sale are operated by franchisees under Yoggi's brand.

Currently, most of the Company's operations are concentrated in southeastern Brazil. As of December 31, 2013, 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 1,080 franchise-operated points of sales, 571 were located at the same region, providing 55.4% of Net Revenues from Franchisees.

Outside Brazil, the Bob's brand is also present through franchise operations in Angola, Africa (four stores), and 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,		
	2013	2012	2011
Gross restaurant sales	R$ 228,993	R$ 198,514	R$ 189,755
Tax on sales	(22,306)	(20,407)	(19,506)
Net restaurant sales	206,688	178,107	170,249
Food, Beverage and Packaging	(72,148)	(58,057)	(58,043)
Payroll & Related Benefits	(44,895)	(36,908)	(33,929)
Restaurant Occupancy	(22,923)	(19,747)	(19,247)
Contracted Services	(20,157)	(19,304)	(16,878)
Depreciation and Amortization	(7,202)	(5,976)	(5,811)
Royalties charged	(8,344)	(7,016)	(6,221)
Marketing expenses	(9,909)	(5,472)	(4,326)
Other Store Costs and Expenses	(10,733)	(11,244)	(13,001)
Total Own-stores cost and expenses	(196,311)	(163,724)	(157,456)
Operating margin	R$ 10,377	R$ 14,383	R$ 12,793

The 2013 results were positively impacted by two major one-time events during the period, the seven-day Rock in Rio Festival that drew major international names to a very well attended event in an area where Bob's had four points of sale, with results of approximately R$1.3 million, as well as the Catholic World Youth Conference that was attended by the Pope, where Bob's own-operated stores pre-sold sandwiches to municipal volunteers.

R$ 000'	Results from franchise operations		
	Year Ended December 31,		
	2013	2012	2011
Gross Franchise Revenues	R$ 59,939	R$ 50,718	R$ 40,461
Tax on Franchise Revenues	(7,387)	(5,403)	(5,238)
Net Franchise Revenues	52,552	45,315	35,223
Payroll & Related Benefits	(9,155)	(6,938)	(6,696)
Occupancy expenses	(293)	(1,107)	(796)
Travel expenses	(1,516)	(1,294)	(1,137)
Contracted Services	(3,149)	(1,291)	(976)
Other franchise cost and expenses	(543)	(5,020)	(2,099)
Total franchise cost and expenses	(14,656)	(15,650)	(11,704)
Operating margin	R$ 37,896	R$ 29,665	R$ 23,519

Currently, the Bob’s brand accounts for most of the franchise activity, as shown in the table below:

	Franchise Operating Margin		
	Year Ended December 31,		
	2013	2012	2011
Bob´s Brand	37,625	29,876	23,616
KFC´s Brand	-	-	-
Doggi´s Brand	450	(503)	(97)
Yoggi´s Brand	(179)	292	-
Franchise Operating Margin	R$ 37,896	R$ 29,665	R$ 23,519

Costs and expenses that are exclusively related to own-operated stores – even the ones incurred at the Company´s headquarters in Rio de Janeiro - are included in “Results from own-store operations”.

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

There are some items that support both activities, such as: (i) administrative expenses (the Company´s finance department collects the receivables from franchises but also reviews daily own-store sales); (ii) interest (expense) income; (iii) income tax (benefits); (iv) exclusivity and other agreements with suppliers; and (v) extraordinary items. Such items were not included in any of the segment results disclosed in the table above because: (a) breaking them down would require a high level of complexity; and (b) the chief operating decision-maker relies primarily on operating margins to assess the segment’s performance.

Currently, besides the accounts receivable from franchisees (derived from franchise fees, royalties, and marketing fund), the Company does not have any assets that are just used in the franchise business. Accordingly, except for the accounts receivables, 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 operations conducted by the Company provided the following figures per brand for the twelve months ended December 31, 2013, 2012 and 2011:

R$ 000'	Results from Bob´s brand operations			Results from KFC´s brand operations		
	Year Ended December 31,			Year Ended December 31,		
	2013	2012	2011	2013	2012	2011
Revenues	R$ 76,424	R$ 68,556	R$ 75,228	R$ 37,782	R$ 33,097	R$ 25,615
Food, Beverage and Packaging	(30,776)	(25,233)	(29,800)	(14,858)	(12,620)	(9,705)
Payroll & Related Benefits	(18,745)	(15,086)	(14,854)	(8,162)	(7,578)	(5,970)
Occupancy expenses	(8,834)	(7,409)	(8,176)	(4,681)	(4,272)	(3,176)
Contracted Services	(7,939)	(7,131)	(7,198)	(2,952)	(3,404)	(3,025)
Depreciation and Amortization	(2,523)	(2,039)	(2,151)	(1,619)	(1,628)	(1,346)
Royalties charged	-	-	-	(2,365)	(1,958)	(1,750)
Marketing expenses	(3,130)	(498)	(624)	(2,061)	(502)	(36)
Other Store Costs and Expenses	(2,575)	(5,767)	(5,839)	(3,799)	(2,180)	(2,383)
Total Own-stores cost and expenses	(74,522)	(63,163)	(68,642)	(40,497)	(34,142)	(27,391)
Operating margin	R$ 1,903	R$ 5,393	R$ 6,586	R$ (2,715)	R$ (1,045)	R$ (1,776)
Other allocated expenses:						
Income Tax	(10,914)	(3,361)	(5,385)	7,028	261	(464)
Interest income (expense)	(2,002)	718	2,416	(88)	42	(103)
Impairment of assets	-	-	(165)	-	-	(605)
Operating margin less other alocated expenses	R$ (11,014)	R$ 2,750	R$ 3,452	R$ 4,225	R$ (742)	R$ (2,948)
Loans and Financing	9,717	13,923	11,130	-	-	-

R$ 000'	Results from Pizza Hut´s brand operations			Results from Doggis' brand operations		
	Year Ended December 31,			Year Ended December 31,		
	2013	2012	2011	2013	2012	2011
Revenues	R$ 92,481	R$ 76,454	R$ 68,107	R$ -	R$ -	R$ 1,299
Food, Beverage and Packaging	(26,514)	(20,204)	(17,869)	-	-	(669)
Payroll & Related Benefits	(17,988)	(14,244)	(12,412)	-	-	(693)
Occupancy expenses	(9,409)	(8,066)	(7,447)	-	-	(448)
Contracted Services	(9,266)	(8,769)	(6,390)	-	-	(265)
Depreciation and Amortization	(3,060)	(2,310)	(2,065)	-	-	(249)
Royalties charged	(5,979)	(4,960)	(4,450)	-	-	(21)
Marketing expenses	(4,718)	(4,472)	(3,611)	-	-	(55)
Other Store Costs and Expenses	(4,357)	(3,394)	(4,667)	-	-	(112)
Total Own-stores cost and expenses	(81,291)	(66,419)	(58,911)	-	-	(2,512)
Operating margin	R$ 11,190	R$ 10,035	R$ 9,196	R$ -	R$ -	R$ (1,213)
Other allocated expenses:						
Income Tax	(798)	(1,293)	1,083	-	-	(51)
Interest income (expense)	(1,540)	(1,139)	(1,274)	-	-	(21)
Impairment of assets	-	-	(206)	-	-	(907)
Operating margin less other alocated expenses	R$ 8,852	R$ 7,603	R$ 8,799	R$ -	R$ -	R$ (2,192)
Loans and Financing	13,843	6,997	5,461			

Below we provide the segment information and its reconciliation to the Company´s income statement for the twelve months ended December 31, 2013, 2012 and 2011:

R$ 000'	Year ended December 31,					
		2013		2012		2011
Bob´s operating income, less other allocated expenses	R$	(11,014)	R$	2,750	R$	3,452
KFC´s operating loss, less other allocated expenses		4,225		(742)		(2,948)
Pizza Hut´s operating income, less other allocated expenses		8,852		7,603		8,799
Doggis' operating loss, less allocated expenses		-		-		(2,192)
Total operating income		2,063		9,611		7,111
Income from franchise operations		37,896		29,665		23,519
Unallocated Administrative Expenses		(34,120)		(33,636)		(31,993)
Unallocated Other Operating Expenses		(11,789)		(5,584)		(7,637)
Unallocated Net Revenues from Trade Partners		26,773		22,184		19,191
Unallocated Other income		1,283		2,289		2,130
Unallocated Net result of assets sold		2,878		(411)		310
Unallocated Interest Income (Expenses)		1,199		(88)		279
Unallocated income tax		(5,639)		(2,070)		(2,244)
Total Unallocated Expenses		(19,415)		(17,316)		(19,964)
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST		20,544		21,960		10,666

NOTE 24 - FIRST-TIME ADOPTION OF IFRS – TRANSITIONAL BASIS

24.1 - CONSOLIDATED QUARTERLY INFORMATION

As discussed at note 2, until the year ended December 31, 2012, the Company disclosed its consolidated financial statements under the United States Generally Accepted Accounting Principles (US GAAP). In the year started January 1, 2013, the Company's management decided to change its accounting practices and adopt the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and, consequently, the consolidated Quarterly Information are being presented for the first time in accordance with the IFRS. Accordingly, the Company adopted the IFRS 1 in the preparation of these Consolidated Financial Statements at the transition date of January 1, 2011, and prepared its opening balance sheet pursuant to the IFRS on that date applying relevant mandatory exceptions and certain optional exemptions referring to the complete retrospective application of IFRS Standards, with its first reporting referring to the quarter ended September 30, 2012, in comparison with the information as of December 31, 2012.

By means of a diagnosis, the Company's management evaluated the effects of the adoption of the IFRS on the opening balance sheet (date of initial adoption January 1, 2011) and on the financial statements of the year ended December 31, 2012 and did not identify significant effects from the adoption of the IFRS in comparison with the US GAAP for the year ended December 31, 2012 and opening balance (January 1, 2011) and on the Consolidated Financial Statements as of December 31, 2013.

In order to present the results of this diagnosis, the tables below detail the presentation of the quarterly information in accordance with the accounting practice currently adopted (IFRS) in comparison with the accounting practices previously adopted (US GAAP), in the consolidated balance sheet and shareholders' equity of the Company, as of December 31, 2013, besides the respective statement of income and cash flow for the year then ended.

24.1.1 Balance Sheet IFRS x USGAAP - ASSETS

	December 31, 2013		
	IFRS balances as reported	Adjustments	USGAAP balances
CURRENT ASSETS:			
Cash and cash equivalents	R$ 50,083	R$ -	R$ 50,083
Inventories	3,090	-	3,090
Accounts receivable	31,760		31,760
Prepaid expenses	747	-	747
Advances to suppliers	2,962	-	2,962
Bob's Marketing fund credits	717	-	717
Other current assets	3,761	-	3,761
TOTAL CURRENT ASSETS	93,120	-	93,120
NON-CURRENT ASSETS:			
Property and equipment, net	47,240		47,240
Intangible assets, net	13,463	-	13,463
Deferred tax asset	10,644	-	10,644
Goodwill	1,121	-	1,121
Other receivables and other assets	13,118	-	13,118
TOTAL NON-CURRENT ASSETS	85,586	-	85,586
TOTAL ASSETS	R$ 178,706	R$ -	R$ 178,706

24.1.2 Balance Sheet IFRS x USGAAP – LIABILITIES

	December 31, 2013		
	IFRS balances as reported	Adjustments	USGAAP balances
CURRENT LIABILITIES:			
Loans and financing	R$ 12,816	R$ -	R$ 12,816
Accounts payable and accrued expenses	13,941	-	13,941
Payroll and related accruals	6,501	-	6,501
Taxes	7,884	-	7,884
Current portion of deferred income	7,537	-	7,537
Current portion of litigations and reassessed taxes	2,381	-	2,381
Other current liabilities	144	-	144
TOTAL CURRENT LIABILITIES	51,204	-	51,204
Deferred income, less current portion	8,877	-	8,877
Loans and financing, less current portion	10,744	-	10,744
Litigations and reassessed taxes, less current portion	20,190	-	20,190
Other liabilities	2,170	-	2,170
TOTAL NON-CURRENT LIABILITIES	41,981	-	41,981
TOTAL LIABILITIES	93,185	-	93,185
EQUITY			
Preferred stock, $.01 par value, 5,000 shares authirized; no shares issued	-	-	-
Common stock, $.0001 par value, 12,500,000 shares authorized; 8,472,927 shares issued for both years 2013 and 2012; 8,129,437 shares outstanding for both years 2013 and 2012	1	-	1
Additional paid-in capital	61,148	-	61,148
Treasury Stock (343,490 shares)	(2,060)	-	(2,060)
Retained earnings	23,450	-	23,450
Accumulated comprehensive loss	(1,769)	-	(1,769)
TOTAL SHAREHOLDERS' EQUITY	80,770	-	80,770
Non-Controlling Interest	4,751	-	4,751
TOTAL EQUITY	85,521	-	85,521
TOTAL LIABILITIES AND EQUITY	R$ 178,706	R$ -	R$ 178,706

24.1.3 Consolidated Statement of Operations IFRS x USGAAP

	December 31, 2013		
	IFRS balances as reported	Adjustments	USGAAP balances
REVENUES FROM RESTAURANTS AND FRANCHISEES			
Net Revenues from Own-operated Restaurants	R$ 206,688	R$ -	R$ 206,688
Net Revenues from Franchisees	52,552	-	52,552
TOTAL REVENUES FROM RESTAURANTS AND FRANCHISEES	*259,240*	-	*259,240*
OPERATING COST AND EXPENSES			
Store Costs and Expenses	(196,311)	-	(196,311)
Franchise Costs and Expenses	(14,656)	-	(14,656)
Administrative Expenses	(34,120)	-	(34,120)
Income from Trade Partners	26,773	-	26,773
Other Income	1,283	-	1,283
Other Operating Expenses	(11,789)	-	(11,789)
Impairment of assets	-		
Net result of assets sold	2,878	-	2,878
OPERATING INCOME	33,298	-	33,298
Interest Expense, net	(2,431)	-	(2,431)
NET INCOME BEFORE INCOME TAX	30,867	-	30,867
Income taxes	(10,323)	-	(10,323)
NET INCOME BEFORE NON-CONTROLLING INTEREST	20,544	-	20,544
Net loss attributable to non-controlling interest	(621)	-	(621)
NET INCOMEATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 19,923	R$ -	R$ 19,923
NET INCOME PER COMMON SHARE BASIC AND DILUTED	R$ 2.45	R$ -	R$ 2.45
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: BASIC AND DILUTED	8,129,437	-	8,129,437

24.1.4 Consolidated Statement of Cash Flow IFRS x USGAAP

	December 31, 2013		
	IFRS balances as reported	Adjustments	USGAAP balances
CASH FLOW FROM OPERATING ACTIVITIES:			
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 19,923	R$ -	R$ 19,923
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	8,816	-	8,816
(Gain) Loss on assets sold and impairment of assets	(2,878)	-	(2,878)
Deferred income tax asset	(2,079)	-	(2,079)
Deferred income tax liability	-		-
Non-controlling interest	621		621
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(6,006)	-	(6,006)
Inventories	138	-	138
Prepaid expenses and other current assets	(3,821)		(3,821)
Other assets	549	-	549
(Decrease) increase in:			
Accounts payable and accrued expenses	107	-	107
Payroll and related accruals	1,719	-	1,719
Taxes	5,972	-	5,972
Other liabilities	939	-	939
Deferred income	11,408	-	11,408
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	35,408	-	35,408
CASH FLOW FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(24,241)		(24,241)
Yoggi acquisiton (note 3.2.3)	-		-
Exchange of shares (notes 3.2.2)	(1,089)		(1,089)
Proceeds from sale of property, equipment and deferred charges	5,957	-	5,957
CASH FLOWS USED IN INVESTING ACTIVITIES	(19,373)	-	(19,373)
CASH FLOW FROM FINANCING ACTIVITIES:			
Acquisition of Company's own shares	-		-
Non-contoling paid in capital	-		-
Non-contoling dividend paid by IRB	2,640		2,640
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,640	-	2,640
EFFECT OF FOREIGN EXCHANGE RATE	(654)	-	(654)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,021	-	18,021
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	32,062	-	32,062
CASH AND CASH EQUIVALENTS AT END OF PERIOD	R$ 50,083	R$ -	R$ 50,083

The Company will continue to assess its activities in other to identify and disclosure any material difference between theses accounting principles in its future reports.

The Company is evaluating whether to maintain and present its financial statements in Portuguese to match the language in which the underlying business is generally conducted.

NOTE 25 - PROPOSAL FOR COMPANY´S ACQUISITION

On September 27, 2013, the Company entered into a Merger Agreement (“Merger”) pursuant to which certain shareholders representing approximately 74% of the Company’s outstanding shares (the “Investor Group”) would acquire all outstanding shares of the Company at a price of US$15.50 in cash per share. Following the completion of the Merger, the common stock would no longer be publicly traded, and stockholders (other than the Investor Group) would cease to have any ownership interest in the Company.

The Investor Group has estimated that the total amount of funds necessary to complete the Merger and the related transactions and financings, including payment of related fees and expenses, would have been approximately US$33.5 million, which it has expected to be funded through a combination of its cash on hand and cash on hand of the Company. Accordingly the Company transferred approximately US$14.0 million from its subsidiary BFFC do Brasil in Brazil to the holding Company in the United States. The transfer was processed as dividend payment from BFFC do Brazil.

On November 20, 2013, at the Company special meeting, an insufficient number of unaffiliated stockholders voted in favor of the Merger and the Investor Group terminated its previously-announced offer to purchase all of the outstanding shares of the Company not owned by the Investor Group.

No breakup fee is to be paid in connection with the termination of the proposal.

NOTE 26 - PLANNING FOR RESTRUCTURING

Because the operations of the Company and its subsidiaries are located entirely outside the United States, the Company is considering a future corporate restructuring. This restructuring would eliminate the Company, which is a corporation organized under the laws of the State of Delaware, from the current corporate structure so that all shareholders of the Company would become shareholders of BFFC do Brasil, which is a corporation organized under the laws of Brazil. This restructuring is intended to reconcile the currency, legal and tax jurisdictions of the Company and its subsidiaries with their operations and activities and permit BFFC do Brasil to more efficiently incur debt to finance the operations of the business. The Company expects to consider implementing the restructuring as soon as practicable.

Brazil Fast Food Corp.

Management's Discussion of Results of operations for the year ended December 31, 2013

1 - INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is intended to help readers understand the results of the Company's operations. The MD&A is provided as a supplement to, and should be read in conjunction with, our Financial Statements and the accompanying notes to the Financial Statements. References to "we", "us" or the "Company" are to Brazil Fast Food Corp.

2 - SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENS

Certain statements in the MD&A other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements. These forward-looking statements generally are identified by words such as "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the Company's Annual Report for the year ended December 31, 2012 at our website. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

OUR BUSINESS

We, through BFFC do Brasil, manage both directly and through franchisees the second largest fast food chain in Brazil based on number of system units. Reference is made to note 1 of the Consolidated Financial Statements to a detailed discussion regarding our brands and the brands we represent as franchisee.

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.

3 - RESULTS OF OPERATIONS - COMPARISON OF TWELVE MONTHS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Amounts in thousands of Brazilian Reais)

The following table sets forth the statement of operations for the twelve months ended December 31, 2013, 2012 and 2011. 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-13	%	12 Months Ended 31-Dec-12	%	12 Months Ended 31-Dec-12	%
REVENUES FROM RESTAURANTS AND FRANCHISEES						
Net Revenues from Own-operated Restaurants	*R$ 206,688*	*79.7%*	*R$ 178,107*	*79.7%*	*R$ 170,249*	*82.9%*
Net Revenues from Franchisees	52,552	*20.3%*	45,315	*20.3%*	35,223	*17.1%*
TOTAL REVENUES FROM RESTAURANTS AND FRANCHISEES	*259,240*	*100.0%*	*223,422*	*100.0%*	*205,472*	*100.0%*
OPERATING COST AND EXPENSES						
Store Costs and Expenses	(196,311)	*-75.7%*	(163,724)	*-73.3%*	(157,456)	*-76.6%*
Franchise Costs and Expenses	(14,656)	*-5.7%*	(15,650)	*-7.0%*	(11,704)	*-5.7%*
Administrative Expenses	(34,120)	*-13.2%*	(33,636)	*-15.1%*	(31,993)	*-15.6%*
Income from Trade Partners	26,773	*10.3%*	22,184	*9.9%*	19,191	*9.3%*
Other Income	1,283	*0.5%*	2,289	*1.0%*	2,130	*1.0%*
Other Operating Expenses	(11,789)	*-4.5%*	(5,584)	*-2.5%*	(7,637)	*-3.7%*
Impairment of assets	-	*0.0%*	-	*0.0%*	(1,883)	*-0.9%*
Net result of assets sold	2,878	*1.1%*	(411)	*-0.2%*	310	*0.2%*
TOTAL OPERATING COST AND EXPENSES	*(225,942)*	*-87.2%*	*(194,532)*	*-87.1%*	*(189,042)*	*-92.0%*
OPERATING INCOME	**33,298**	***12.8%***	**28,890**	***12.9%***	**16,430**	***8.0%***
Interest Expense, net	(2,431)	*-0.9%*	(467)	*-0.2%*	1,297	*0.6%*
NET INCOME BEFORE INCOME TAX	**30,867**	***11.9%***	**28,423**	***12.7%***	**17,727**	***8.6%***
Income taxes - deferred	2,343	*0.9%*	1,089	*0.5%*	(2,432)	*-1.2%*
Income taxes - current	(12,666)	*-4.9%*	(7,552)	*-3.4%*	(4,629)	*-2.3%*
NET INCOME BEFORE NON-CONTROLLING INTEREST	**20,544**	***7.9%***	**21,960**	***9.8%***	**10,666**	***5.2%***
Net (income) loss attributable to non-controlling interest	(621)	*-0.2%*	(1,252)	*-0.6%*	(1,812)	*-0.9%*
NET INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	**R$ 19,923**	***7.7%***	**R$ 20,708**	***9.3%***	**R$ 8,854**	***4.3%***

3. 1 Activity of Own-Operated Restaurants

3.1.1 – Revenues from Own-Operated Restaurants

Net restaurant sales for Company-owned retail outlets for the twelve-month period increased by R$28.6 million, or 16.0%, to R$206.7 million for the twelve months ended December 31, 2013, compared to R$178.3 million for the twelve months ended December 30, 2012.

Net restaurant sales for Company-owned retail outlets for the twelve-month period increased by R$7.9 million, or 4.6%, to R$178.3 million for the twelve months ended December 31, 2012, compared to R$170.2 million for the twelve months ended December 30, 2011.

The overall Company's sales increases during the twelve-month period ended December 31, 2013 compared to the same period in 2012 represent excellent result of efforts considering the slowdown of Brazilian economic environment and are mainly attributable to (i) the opening of nine new Pizza Hut restaurants in São Paulo to counterbalance Cumbica airport restaurant's participation in IRB's results;(ii) revenues during the seven-day Rock in Rio Festival that drew major international names to a very well attended event in an area where Bob's had four points of sale; and (iii) the Catholic World Youth Conference in Rio de Janeiro that was attended by the Pope, where we pre-sold sandwiches to municipal volunteers. Nevertheless, the Company's sales were negatively impacted throughout 2013 (i) by continued countrywide civil unrest and protests; (ii) competition increase; and (iii) lower consumer spending jointed to increase of individuals indebtedness.

The breakdown of net revenues from the Company's own restaurants is as follows:

	Net revenues from own-operated restaurants				
	12 Months December,31	Increase (Decrease)	12 Months December,31	Increase (Decrease)	12 Months December,31
Brand	2013	%	2012	%	2011
Bob's	R$ 76,424	11.5%	R$ 68,556	-8.9%	R$ 75,228
KFC	37,782	14.2%	33,097	29.2%	25,615
IRB - Pizza Hut	92,481	21.0%	76,454	12.3%	68,107
DOGGIS	-	-	-	-	1,299
Consolidated Net Revenues	R$ 206,688	16.0%	R$ 178,107	4.6%	R$ 170,249

Bob's net restaurant sales increase in the twelve months ended December 31, 2013 is attributable to the factors mentioned above and to the increase of points of from 38 in December 31, 2012 to 40 in December, 31 2013. Sales increases were also consequence of intensive marketing campaigns at TV media as well as improvement on operating and sales quality and new products or new flavors of existing products.

From 2011 to 2012, 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).

Overall KFC sales increase is mainly attributable to (i) maturing process in three recently inaugurated shopping malls: Mooca, São Caetano and Barueri; (ii) the launch of sandwiches and sundaes to help afternoon day part sales efforts and upselling (traditionally most sales have been at lunch time).

Under the criterion of same store sales, Pizza Hut's restaurant sales increased 5.5% in the twelve–month period ended December 31, 2013 compared to the same period in 2012. Pizza Hut's sales increase is mainly attributable to (i) the opening of ten new Pizza Hut restaurants in São Paulo (from 22 on December 31, 2012 to 32 on December 31, 2013) to counterbalance Cumbica airport restaurant's participation in IRB's results; (ii) the increase of selling prices beginning in the third quarter; (iii) the increase of upselling (deserts, wine and imported beer); (iv) the extension of the all-you-can-eat system at lunch day part in all Dine In restaurants; (v) the intensification of the take-out system at selected restaurants (introduced during the first quarter of 2013). As of December 31, 2013, Cumbica airport restaurant represented 26.4% of IRB' system sales and 54.2% of IRB's results. Cumbica airport has been recently privatized and Pizza Hut restaurant at the location is subject to renewal of the leasing contract.

All percentages presented refer to nominal growth. Inflation during the period between December 31, 2013 and December 31, 2012 were 5.9%.

3.1.2 - Own-Operated Restaurants Costs and Expenses

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/dez/13	%		12 Months Ended 31/dez/12	%		12 Months Ended 31/dez/11	
STORE RESULTS									
Net revenues from own-operated restaurants	**R$**	***206,688***	***100.0%***	**R$**	***178,107***	***100.0%***	**R$**	***170,249***	***100.0%***
Store Costs and Expenses									
Food, Beverage and Packaging		(72,148)	-34.9%		(58,057)	-32.6%	R$	(58,043)	-34.1%
Payroll & Related Benefits		*(44,895)*	-21.7%		(36,908)	-20.7%	R$	(33,929)	-19.9%
Restaurant Occupancy		*(22,923)*	-11.1%		(19,747)	-11.1%	R$	(19,247)	-11.3%
Contracted Services		*(20,157)*	-9.8%		(19,304)	-10.8%	R$	(16,878)	-9.9%
Depreciation and Amortization		*(7,202)*	-3.5%		(5,976)	-3.4%	R$	(5,811)	-3.4%
Royalties charged		*(8,344)*	-4.0%		(7,016)	-3.9%	R$	(6,221)	-3.7%
Marketing expenses		*(9,909)*	-4.8%		(5,472)	-3.1%	R$	(4,326)	-2.5%
Other Store Costs and Expenses		(10,733)	-5.2%		(11,244)	-6.3%	R$	(13,001)	-7.6%
Total Store Costs and Expenses		***(196,311)***	***-95.0%***		***(163,724)***	***-91.9%***		***(157,456)***	***-92.5%***
STORE OPERATING INCOME		**10,377**	**5.0%**		**14,383**	**8.1%**		**12,793**	**7.5%**

Cost of food, beverage and packaging were negatively impacted by the rise in the purchase price of some products due to inflationary pressures and currency devaluation, such as processed potatoes, meat and packaging material. Additionally, aggressive value campaigns at Pizza Hut and KFC restaurants, intent to increase their respective customer base in a moment of consumers' reducing expenditures and fiercely competition, has greatly depressed these two brans own-stores operating margin .

The nominal increases in payroll were mainly due to (i) increase in salaries and related costs stipulated by collective agreements signed with the union labor of the quick service restaurants category; (ii) higher turnover at both Pizza Hut and KFC restaurants; and (iii) payment for temporary workers in special events such as Carnival in February 2013 and Rock in Rio Festival in September 2013.

The occupancy costs remained quite constant from 2012 to 2013.

3.2 Activity of Franchised Restaurants

3.2.1 Net Franchise Revenues

Net franchise revenues are comprised of 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, as set forth below:

R$ 000'	Year Ended December 31,		
	2013	2012	2011
Gross Revenues from franchisees	58,953	50,718	40,461
(-) Tax on revenues	(6,401)	(5,403)	(5,238)
Net Revenues from Franchisees (note 23)	52,552	45,315	35,223

Net franchise revenues increased R$ 7.2 million, or 16.0%, to R$52.6 million for the twelve months ended December 31, 2013, from R$ 45.3 million for the twelve-month period ended December 31, 2012.

Net franchise revenues increased R$ 10.1 million, or 28.7%, to R$45.3 million for the twelve months ended December 31, 2012, from R$35.2 million for the twelve-month period ended December 31, 2011.

These increases are mainly attributable to the growth of our franchise operations from 813 points of sale as of December 31, 2011 to 952 as of December 31, 2012 to 1,080 on December 31, 2013.

During the twelve-month period ended December 31, 2013, Bob's brand closed 24 points of sale and inaugurated 138 points of sale, achieving 1,018 points of sale. Bob's brand is a mature franchisor in Brazil that due to the enlargement of competitors urges to augment its stores remodeling and expansion in the coming years. Currently, the Bob's brand accounts for most of the franchise activity.

During the twelve-month period ended December 31, 2013, Doggis' brand closed 1 and inaugurated 5 points of sale, achieving 20 points of sale. The Doggis startup brand has been coping with all inherent challenges related to adapting in Brazil the successful model used in Chile in the last four years, however still lacks a sizable chain to consolidate itself as a franchisor in Brazil.

During the twelve-month period ended December 31, 2013, Yoggi's brand closed 12 points of sale, or 29% of its chain, and inaugurated 13 points of sale, achieving 42 points of sale. The frozen yogurt 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. The Yoggi brand has been creative in redefining its business and successful in recently open stores, however still lacks a sizable chain to consolidate itself as a franchisor in Brazil.

Alongside the royalty fees and initial fees, the Company receives marketing contributions from its franchisees, which are designed to finance marketing investments in each of the brands we manage and are accounted for as discussed in note 3.12 of the consolidated statements.

3.2.2 Franchise Costs and Expenses

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

R$ 000'		12 Months Ended 31/dez/13	%		12 Months Ended 31/dez/12	%		12 Months Ended 31/dez/11	%
FRANCHISE RESULTS									
Net Franchise Revenues	R$	*52,552*	100.0%	R$	*45,315*	100.0%	R$	*35,223*	100.0%
Payroll & Related Benefits		(9,155)	-17.4%		(6,938)	-15.3%		(6,696)	-19.0%
Occupancy expenses		(293)	-0.6%		(1,107)	-2.4%		(796)	-2.3%
Travel expenses		(1,516)	-2.9%		(1,294)	-2.9%		(1,137)	-3.2%
Contracted Services		(3,149)	-6.0%		(1,291)	-2.8%		(976)	-2.8%
Other franchise cost and expenses		(543)	-1.0%		(5,020)	-11.1%		(2,099)	-6.0%
Franchise Costs and Expenses		***(14,656)***	**-27.9%**		***(15,650)***	**-34.5%**		***(11,704)***	**-33.2%**
FRANCHISE OPERATING INCOME		**37,896**	**72.1%**		**29,665**	**65.5%**		**23,519**	**66.8%**

The increase in salaries and related costs, stipulated by collective agreements signed with the union labor category, as well as travel expenses, driven by more franchised points of sale to be regularly visited, were offset by the increase in net franchise revenues.

3.3 Other Operating Expenses and Income

The Company's general administrative expenses fell from (15.1%) in 2012 to (13.2%) in 2013, mainly due to a reduction in the administrative headcount and fewer contracted services, such as information technology, accounting and related expenses.

The Company sold the fixed assets of two stores, obtaining one-off revenues of approximately R$3 million. This item was responsible for the increased income tax expense in 2013 vis-à-vis 2012.

Other operating expenses have the following breakdown:

R$'000	December 31, 2013	2012	2011
Uncollectable receivables	3,482	306	(940)
Logistics expenses	-	-	3,095
Accruals for litigation - labor	1,226	1,410	2,156
Accruals for litigation - tax/ REFIS 2013	1,870	-	989
Depreciation of Headquarters' fixed assets	1,614	1,476	1,429
Preoperating and other expenses	3,597	2,392	908
	R$ 11,789	R$ 5,584	R$ 7,637

The Company regularly and diligently analyzes each one of its franchisees accounts receivable late payments, applying all considerable efforts on collecting these receivables. Nevertheless, the Company wrote-off some accounts following its recoverable criteria during the third and fourth quarters of 2013. Also during the fourth quarter the Company recorded an expenses related to the amnesty program REFIS 2013 (see note 12.d) in the amount of R$1,436. Increases of preopening expenses are mainly attributable to the ten new Pizza Hutt stores open during 2013.

4 - **LIQUIDITY AND CAPITAL RESOURCES (Amounts in thousands of Brazilian Reais)**

Since March 1996, we 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 31, 2013, we accumulated net earnings of approximately R$23.6 million. Also, as of December 30, 2013, we had cash on hand of approximately R$50 million - which included a R$13.8 million investment in cash equivalent - and a working capital of approximately R$41.9 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 series 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, combined with 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 our 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. These transactions brought the Company's working capital back into negative territory. After a series of positive results (operating income in the years of 2009 to 2013) the Company returned to positive working capital.

For the twelve months ended December 31, 2013, we had net cash provided by operating activities of R$35.4 million (R$24.7 million in 2012), net cash used in investing activities of R$19.4 million (R$17.6 million used in 2012) and net cash provided from financing activities of R$2.6 million (R$3.5 million provided in 2012). Net cash used in investing activities was primarily the result of Company's investment in property and equipment to improve Company's retail operations. Net cash used in financing activities was mainly the result of repayment of 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 share re, 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.

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.

Reference is made to notes 9 and 13 to the Consolidated Financial Statements in regard to the Company’s indebtedness related to financial institutions and reassessed taxes.

Reference is made to note 3 to the Consolidated Financial Statements, in regard to the Company’ significant accounting policies.

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.

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, 44, 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 eight meetings during the year ended December 31, 2013, and each of our directors attended all of those meetings, except for Mr. Tomazoni and Mr. Gouvêa de Souza that were absent in one 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, Rocha and Montanini. The Audit Committee held four meetings during the year ended December 31, 2013, and each of its members attended all of those meetings, except for Mr. Rocha that were absent in one 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 that each of the members of our Audit Committee is 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 two meetings during the year ended December 31, 2013 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.

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 2013, 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 2013, 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 Chief Financial Officer