BRAZIL FAST FOOD CORP.

RULE 15c2-11
INFORMATION AND DISCLOSURE STATEMENT

For the fiscal year ended December 31, 2014

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, 2014: 8.104.687 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 "PROPERTIES", beginning on page 14.

Item (xi) Name of the chief executive officer and members of the board of directors: See sections headed "DIRECTORS, DIRECTORS INDEPENDENCE AND EXECUTIVE OFFICERS", on page 91.

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 **Error! Bookmark not defined.**3.

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 Comércio de Alimentos Ltda. ("FCK", former Suprilog Logística Ltda.), Yoggi do Brasil Ltda. ("Yoggi"), Aerofood Comércio de Alimentos Ltda. ("Aerofood"), Bigburger Caxias Lanchonetes Ltda. ("Bigburger"), WP Comércio de Alimentos Ltda. ("WP"), DC Américas Comércio de Alimentos Ltda. ("DC Americas"), Olifreitas Comércio de Alimentos Ltda. ("Olifreitas"), Airfood Comércio de Alimentos Ltda. ("Airfood"), 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.

We develop, operate, franchise and license a system of both traditional and non-traditional fast-food restaurants. Traditional units refers to freestanding and drive-thru restaurants, restaurants and storefronts at shopping centers, hypermarkets, superstores, airports, bus terminals, gas & convenience stores, stadiums and colleges. Non-traditional units refers to kiosks and express stores, which have a more limited menu and operate at food areas in events and where a full-scale traditional outlet would not be practical or efficient. Traditional and non-traditional units are owned and operated 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 sandwiches and hamburgers with a Brazilian taste and milk shakes. Originated in Rio de Janeiro, the 62 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. To differentiate from its competitors and deliver more quality, taste and flexibility for customers, the brand has invested in its attributes and launched a new visual identity in 2014, focusing on a homemade appearance and made to order sandwiches with free sauce and the option to add or remove ingredients.

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 1257 points of sale at the end of 2014, up from 1165 at the end of 2013. The increase resulted from 143 openings (12 in line and 6 drives thru restaurants, 57 food courts and 1 store in store points of sale, and 67 kiosks) and 51 closures. The total number of points of sale includes 1127 under Bob's brand, 48 under Yoggi brand, 31 under Doggis brand, 15 under KFC brand, 36 under Pizza Hut brand.

Own-operated Restaurants

As of December 31, 2014, we owned and operated 103 points of sale: 48 under Bob's brand, 4 under Doggis brand, 36 under Pizza Hut brand and 15 under KFC brand, including 1 kiosk. All of these points of sale were located in the States of Rio de Janeiro (51) and São Paulo (52).

Franchised Restaurants

As of December 31, 2014, we had 1154 points of sale owned and operated by our franchisees, of which 1079, including 8 express stores, were under Bob's brand, 48 under Yoggi brand and 27 under Doggis brand. Approximately 43.2% of these points of sale were located in the States of Rio de Janeiro (248) and São Paulo (251), with the remainder widely spread throughout major cities in all other States of Brazil, except for 4 franchised restaurants in Angola and 6 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 cream cones, among different products from traditional Bob's restaurants, and coffee. The products developed for the express stores allow the Company to participate at temporary food service events 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 six Bob's franchised restaurants in Chile; although there are royalties attributable to this operation, the total amount 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 look forward establishing long-term sustainable relationships with suppliers to balance quality products and services, competitive prices and continuous innovation.

We centralize all negotiation to standardize and maintain quality in all restaurants chains under our management, which also benefit from economies of scale of our negotiations.

All restaurants chains under our management are supplied by logistics operators approved by us. The logistics operators capture and consolidate all restaurants' purchase orders placed on-line, purchase, under the terms negotiated by us, and distribute the products, with traceability and control of expiry, temperature and level of stock.

All products and suppliers, from equipment and raw materials to various accessories, go through a rigorous approval process which analyzes the aspect of food security, financial and operational capacity, and more recently social responsibility. Even after approval, products and suppliers continue to be periodic audited in accordance with established quality parameters.

We constantly work on improvements of our existing products and develop new products to introduce novelties on the menu, aiming to maintain the attractiveness and competitiveness of all restaurants chains under our management.

The innovation we aim includes searching and developing the most appropriate and cost-effective equipment and utensils for our operations, respecting the applicable laws, standards and regulations, as well as maintaining the visual identity of the brands we manage.

Service, Products and Quality Assurance

We look forward maintaining quality and standardization in all restaurants chains under our management by establishing detailed quality performance standards for our products, as well as standards for food preparation, delivery and customer service, and periodically auditing our restaurants to guarantee compliance with these standards.

Our internal specialized team is responsible for establishing all food and product safety and product quality standards, according to federal, state and municipal laws and regulations, and is committed to ensure our customers well-being and satisfaction.

Our internal specialized team is also responsible for periodically auditing our restaurants or supervising the audit carry out by third parties retained for this purpose and franchisees' own restaurant assessment. Franchisees, through its own restaurant assessment are allowed to identify several opportunities for improvement in its operation.

Our internal specialized team also monitors microbiological and physiochemical aspects of all raw materials we use at our restaurants. Every day, each restaurant registers the raw materials used to permit traceability in case of non-compliance. Besides, each restaurant controls the temperatures of storage and food preparation for our internal specialized team analysis.

Personnel working at all restaurants chains under our management are constantly trained in safe food handling, correct food storage and preparation procedures.

In addition, all restaurants chains under our management are routinely sanitized and strictly controlled to prevent pest infestations.

Franchise Program

Our franchise program is designed to assure consistency and quality in all restaurants chains under our management. All potential franchisees are submitted to questionnaires 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 franchise unit will be located. When accepted, the potential franchisee signs the franchise agreement and pays the initial franchise fee.

We desire a successful system and work in close collaboration with the franchisee to choose the best location for the franchise unit and to guide negotiations of the lease.

The franchisee is responsible for developing and monitoring the restaurant project, as well as installing and operating the franchise unit. All professionals and third party companies involved in development and monitoring of the restaurant project must be approved by the franchisor and all technical and architectural standards are set by the franchisor.

We believe the more involved the franchisee in the business, better the chances of success, and so, reinforce that the franchisee should work on the operation, managing administrative and financial matters, motivating and coordinating staff, and meeting customer complaints, should they occur. We also reinforce the importance of the franchisee direct investment in local advertisement of its unit, besides the monthly contribution to the brand marketing fund, and the franchisee participation in events sponsored by the franchisor, such as working groups meetings, training, courses, meetings and conventions.

We provide ongoing support to our franchisees through a specialized team, who regularly visits the points of sale and is able to settle any questions and direct the necessary actions for continuous improvement of the business. We encourage mature and profitable franchisees to increase the number of stores they operate.

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 every quarter with our executives to discuss the brand current and future developments, as well as improvements in equipment, appliances, products, supply, automation system, operations and management through different working groups.

As of today, Bob's have 327 franchisees and 131 groups of franchisees, which include franchised restaurants for different companies in the same economic group and franchised restaurants for different family members. Doggis have 27 franchisees and 8 groups of franchisees and Yoggi have 37 franchisees and 2 groups of franchisees,

In 2014, the Brazilian Franchise Association (ABF) publicly recognized, for the seventeenth consecutive year, Bob's attentiveness to franchisees with the Franchising Excellence Award.

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 and restaurants. For this reason, we, through our advertising agencies, develop marketing and advertising programs for all restaurants chains under our management, while maintaining each restaurant informed and supplied with marketing materials.

Each brand constitutes and manages an individual marketing fund that monthly receives a contribution from all brand units that equals a percentage of each brand unit gross sales in the previous month and provides payment of all marketing and advertising expenses incurred by each brand marketing department. All marketing and advertising expenses are incurred by each brand marketing department in the best interest of each brand.

We reinforce the importance of the franchisee direct investment in local advertisement of its unit, besides the monthly contribution to the brand marketing fund, 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.

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, Porto Rico, Jamaica, Cuba, Panamá, Guatemala, Nicarágua, 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, United States of America 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 with other services and consumer goods that pressure on the budget of the average consumer.

Notwithstanding, we constantly access the market through opinion polls to readily understand and respond to local consumer preferences and develop strategic programs to increase our market share.

Number of Employees

The total number of employees, including franchise restaurants and kiosks employees was approximately 21,000 as of year-end 2014.

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" 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 food service 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 adequate to 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.

We have developed a growth strategy that includes increasing the number of franchised points of sale under our management. 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 capital financing for investment, as well as adequate location and personnel, factors highly influenced by the Brazilian economy and development. If we experience difficulty in contracting with qualified franchisees, if franchisees are unable to meet the business requirements or if franchisees are unable to operate their points of sale profitably, the amount of franchise fees paid to us by our franchisees would decrease and our future operating results could be adversely affected.

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

Food service operators are required to meet several complex federal, state and municipal laws and regulations related to food safety and food with the potential to cause an adverse health effect, labor safety and working conditions, as well as commercial business establishment use of property and occupation. Suspension of certain operational licenses or approvals due to our or our franchisees failure to comply with applicable laws and regulations could interrupt operations of the affected point of sale and affect our operating results. Besides, food service operators must follow the Consolidation of Labor Laws that enforce minimum wages, accretions to the salary (overtime, work at night, unhealthy/hazardous environment, and relocation), mandatory employee benefits, insurance, indemnities, and minimum workforce at the point of sale that increasingly burdens business profitability and could affect our operating results. We are also subject to the Franchising Law, and 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 through 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 one property located in the city of Nova Iguaçu, Rio de Janeiro, Brazil, including buildings or improvements on it.

As of December 31, 2014, we had 161 points of sale rental agreements under our management, including three rental agreements of properties that we formerly owned and 50 that we sublease to franchisees. Our rental agreements are typically contracts for five years, subject to a same period renewal if agreed by the parties, and includes a minimum rental or a percentage of the gross sales (from 5.0% to 10.0%), if greater than the minimum rental. 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 the Municipal Tax on Services ("ISS"), in 2003, a complementary law determined that franchising activity would become subject to the municipal taxation on services, with a tax rate range between 2% and 5%, depending on each municipality. Nevertheless, the collection of the tax is still subject to interpretation since the extension of the statutory definition of services remains controversial. We claimed in court that royalties should not be considered revenues from services rendered and therefore should not be subject to ISS taxation. At the same time, we start monthly depositing in court the tax amount under discussion. After partial settlement, the amount deposited that refers to tax on royalties fees received from franchise contracts signed before the complementary law was issued should be returned to the Company. There is a further discussion on whether marketing fund contributions and initial fees should also be subject to taxation. Albeit we expect to be successful, we cannot guarantee a favorable outcome.

Concerning the Company's Reassessed Taxes, during the past years we enrolled in five amnesty programs launched by the Brazilian government for domestic companies to pay off due taxes in arrears. In September 2009, we enrolled in the fourth Brazilian government amnesty program (the "REFIS IV Program"), which objective was to take all original debts from previous programs, correct them by the base rate fixed by the Brazilian Central Bank, and deduct from them all payments made during previous programs. In September 2011, however, our consolidated tax debt, presented by the Brazilian government, seems not to consider all payments we made during previous amnesty programs. We filed two ineffective administrative appeals to the Brazilian Internal Revenue Service, and initiated a judicial claim in September 2014, to have the calculations for the REFIS IV Program reviewed. 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. 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.

Concerning tax inspections, in 2013 and 2014 we received two notices from the Brazilian tax authorities requiring an inspection of one of ours indirect subsidiary's tax records that resulted in a fine connected to abusive tax planning in the restructuring carried out by the Company in 2006, associated with the consolidation of the Company's businesses in Brazil. We filed an administrative appeal against each 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 quotations for our Common Stock for the periods indicated:

Common Stock

Three Months Ended	High	Low
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
March 31, 2014	18.90	16.00
June 30, 2014	18.99	16.05
September 30, 2014	17.80	16.10
December 31, 2014	16.49	10.50

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

Holders

As of March 09, 2015, the number of record holders of our Common Stock was 43.

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, 2013 and 2014 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, 2014 there was no outstanding stock options or warrants.

Stock Repurchase Plan

Our Board of Directors approved a new Stock Repurchase Plan on December 2014, increasing the amount of shares to be repurchased to 800,000 in two years from a previous 400,000 shares limit. As of December 31, 2014, we had repurchased a total of 368,240 shares.

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

The following discussion should be read in conjunction with the RISK FACTORS and FORWARD LOOKING STATEMENTS on page 11, and with "CONSOLIDATED FINANCIAL STATEMENTS", beginning on page **Error! Bookmark not defined.**.

Brazilian Political and Economic Environment

In 2014, Brazil faced presidential elections, as well as elections for senators, federal deputies and governors, and although voters seemingly wanted sweeping policy changes, President Dilma Rousseff was reelected for her second term.

Nevertheless, reduced economic activity and resilient higher inflation reduced the government tax revenues and heavily deteriorated public accounts, as no saving efforts were made in the elections year. Besides, a major corruption scandal was revealed in Petrobras, the Brazilian state-run oil giant, affecting infrastructure investments in the country, as it involves bribery taken from overpriced infrastructure contracts that benefited some of the country's largest construction and engineering firms, and causing an extensive political crisis, as it involves the funding of the ruling coalition political parties electoral expenses.

In 2015, additional pressure on inflation from the dollar and repressed administered prices, urged the government to announce several fiscal adjustments and to increase interest rates further, despite the decrease in both job creation and wage growth.

Year Ended December 31

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
GDP[1]	0.1	2.3	0.9	2.7	7.5	-0.2	4.5	5.4	3.8	3.2
Inflation[2]	6.4	5.9	5.8	6.5	5.9	4.1	6.5	4.5	3.1	5.7
Interest Rates[3]	175	275	-375	25	200	-500	250	-200	-475	25
Exchange Rates[4]	-13.4	-14.6	-8.9	-12.6	4.3	25.5	-31.9	17.2	8.7	11.8

[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 freestanding and drive thru restaurants, restaurants and storefronts at shopping centers, hypermarkets, superstores, airports, bus terminals, gas & convenience stores, stadiums and colleges, as well as kiosks and express stores, 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 2015, the Company expects to continue investing heavily in advertising and promotion to reinforce support of its brands and respond to competitors.

In 2014, Bob's brand, to differentiate from its competitors and deliver more quality, taste and flexibility for customers, invested in its attributes and launched a new visual identity, focusing on a homemade appearance and made to order sandwiches with free sauce and the option to add or remove ingredients. Total stores sales were up 12.5% and same store sales were up 6.1%, driven by higher average ticket. In 2015, the brand will focus on changing the visual identity of existing own-operated and franchised points of sale to guarantee operational excellence and enhanced consumer perception as well as expanding through franchisees. In 2014, Yoggi worked on consolidating the two 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. Total stores sales were up 26.7% and same store sales were up 4.3%, driven by higher average ticket. In 2015, Yoggi will focus on expanding its franchise chain through the Yoggi Desigual, a concept which adds to the building of the brand created just few years ago, and on reinforcing the existing dessert product lines, such as new frozen yogurts flavors and cookies.

In 2014, Doggis worked on strengthening the brand identity and differentiation as well as improving its consumer experience. Total stores sales were up 48.1% and same store sales were up 6.6%, driven by higher average ticket. In 2015, Doggis will continue to focus on expanding its franchise chain and number of clients attended per point of sale.

In 2014, we inaugurated four new Pizza Hut restaurants in São Paulo, two of them in the International Airport (Guarulhos) and one of them in the Regional Airport (Congonhas). . Total stores sales were up 24.9% and same store sales were up 1.9%. In 2015, we will focus on consolidating our chain that expanded 14 points of sale in the last two years

In 2014, own-operated stores under Bob's, Doggis and KFC brands were consolidated in one business unit that worked closely to operator's partners, of each store or group of stores, to enhance operations and results through more agile decision making. In 2015, we will continue to focus on the performance of this unit. KFC total stores were up 3.4% and same store sales were up 0.7%.

Proposed Buyout

On January 14, 2015, our Board of Directors received a proposal letter from Queijo Holding Corp. ("Queijo Holding"), a company that represents stockholders that constitute a controlling interest (the "Controlling Stockholders") in BFFC, for the acquisition of the shares of Brazil Fast Food that the Controlling Stockholders do not currently own for a cash price of $18.30 per share of BFFC's common stock.

The price offered in the Controlling Stockholders' proposal represents a 36.5% premium over the closing price of the Company's common stock on January 13, 2015, as well as a 38.1% premium over the 60-day volume weighted average price (VWAP).

The Board of Directors appointed a Special Committee of the Board of Directors to evaluate the offer by Queijo Holding. The Special Committee is comprised of the Board of Director's independent directors Gilberto Tomazoni and Gustavo Alberto Villela Filho. The Special Committee retained the law firm of Baker & McKenzie to assist in evaluating the offer and Duff & Phelps as financial advisor. Duff & Phelps, LLC provided an opinion to the Special Committee to the effect that, as of the date of such opinion, subject to various assumptions and qualifications set forth therein, the cash price of $18.30 per share is fair, from a financial point of view, to the noncontrolling holders.

The Company's Board of Directors, acting on the recommendation of a Special Committee of independent directors, unanimously approved the merger agreement under which Queijo Holding Corp. will acquire all outstanding shares of the Company, subject to a number of conditions, including Queijo Holding's obtaining financing and the approval of the majority of the noncontrolling stockholders.

The Controlling Stockholders collectively own 6,106,002 shares of common stock of the Company, or 75.34% of all shares of common stock issued and outstanding. In addition, two independent stockholder groups of the Company, which collectively represent 40.55% of the shares of common stock not held by the Controlling Shareholders, have agreed with the Controlling Stockholders to support the transaction.

In connection with the transaction, the Company will send to its stockholders a proxy statement and other documents, including a form of proxy card. The proxy statement and a form of proxy will be mailed to the Company's stockholders. Stockholders are urged to read the proxy statement and any other documents sent to them carefully because they will contain important information about the transaction. In addition, Stockholders will be able to view the proxy statement at the Company's website of www.bffc.com.br.

BRAZIL FAST FOOD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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, 2014, and the results of their operations and their cash flows for the year ended December 31, 2014 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 16, 2015

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

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

Fernando Pereira da Silva Marques
Contador CRC 1 RJ 092490/O-3

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
BALANCE SHEETS – ASSETS
(in thousands of Brazilian Reais, except share amounts)

	Note	December 31, 2014	December 31, 2013
CURRENT ASSETS:			
Cash and cash equivalents	4	R$ 60,861	R$ 50,083
Inventories		4,091	3,090
Accounts receivable	5	40,661	31,760
Prepaid expenses		1,273	747
Advances to suppliers		5,463	2,962
Marketing fund credits	6a	1,463	717
Other current assets	6b	4,793	3,761
TOTAL CURRENT ASSETS		118,605	93,120
NON-CURRENT ASSETS:			
Deferred tax asset	11.4	10,627	10,644
Goodwill	3.3	1,121	1,121
Other receivables and other assets	6b	14,657	13,118
Property and equipment, net	8	60,885	47,240
Intangible assets, net	9	12,555	13,463
TOTAL NON-CURRENT ASSETS		99,845	85,586
TOTAL ASSETS		R$ 218,450	R$ 178,706

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)

	Note	December 31, 2014	December 31, 2013
CURRENT LIABILITIES:			
Loans and financing	13	R$ 15,794	R$ 12,816
Accounts payable and accrued expenses	10	18,851	13,941
Payroll and related accruals		10,745	6,501
Taxes	11.1	9,396	7,884
Current portion of deferred income	12b	5,422	7,537
Current portion of litigations and reassessed taxes	12d	572	2,381
Other current liabilities		1,004	144
TOTAL CURRENT LIABILITIES		61,784	51,204
Deferred income, less current portion	12b	5,047	8,877
Loans and financing, less current portion	13	12,416	10,744
Litigations and reassessed taxes, less current portion	12d	22,251	20,190
Other liabilities	14	1,460	2,170
TOTAL NON-CURRENT LIABILITIES		41,174	41,981
TOTAL LIABILITIES		102,958	93,185
EQUITY	15		
Preferred stock, $.01 par value, 5,000 shares authirized; no shares issued		-	-
Common stock, $.0001 par value, 12,500,000 shares authorized; 8,472,927 shares issued for both 2014 and 2013; and 8,104,687 and 8,129,437 shares outstanding for 2014 and 2013		1	1
Additional paid-in capital		61,148	61,148
Treasury Stock (368,240 and 343,490)		(3,026)	(2,060)
Retained earnings		49,776	23,450
Accumulated comprehensive income (loss)		4,009	(1,769)
TOTAL EQUITY		111,908	80,770
Non-Controlling Interest		3,584	4,751
TOTAL EQUITY		115,492	85,521
TOTAL LIABILITIES AND EQUITY		R$ 218,450	R$ 178,706

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, 2014	2013	2012
REVENUES FROM RESTAURANTS AND FRANCHISEES				
Net Revenues from Own-operated Restaurants	23	*R$ 238,834*	*R$ 206,688*	*R$ 178,107*
Net Revenues from Franchisees	23	60,878	52,552	45,315
TOTAL REVENUES FROM RESTAURANTS AND FRANCHISEES		*299,712*	*259,240*	*223,422*
OPERATING COST AND EXPENSES				
Store Costs and Expenses	23	(232,137)	(196,311)	(163,724)
Franchise Costs and Expenses	23	(14,887)	(14,656)	(15,650)
Administrative Expenses	16	(36,122)	(34,120)	(33,636)
Income from Trade Partners	18	25,167	26,773	22,184
Other Income		2,487	1,283	2,289
Other Operating Expenses	17	(9,500)	(11,789)	(5,584)
Net result of assets sold		23	2,878	(411)
TOTAL OPERATING COST AND EXPENSES		*(264,969)*	*(225,942)*	*(194,532)*
OPERATING INCOME		34,743	33,298	28,890
Interest Expense, net	19	(3,895)	(2,431)	(467)
NET INCOME BEFORE INCOME TAX		30,848	30,867	28,423
Income taxes - deferred	11.3	(17)	2,343	1,089
Income taxes - current	11.3	(5,672)	(12,666)	(7,552)
NET INCOME BEFORE NON-CONTROLLING INTEREST		25,159	20,544	21,960
Net (income) loss attributable to non-controlling interest		1,167	(621)	(1,252)
NET INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.		R$ 26,326	R$ 19,923	R$ 20,708
NET INCOME LOSS PER COMMON SHARE BASIC AND DILUTED		R$ 3.24	R$ 2.45	R$ 2.55
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: BASIC AND DILUTED		8,116,545	8,129,437	8,129,437

See Notes to Consolidated Financial Statements

BRAZIL FAST FOOD CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of Brazilian Reais)

	Year Ended December 31,		
	2014	2013	2012
NET INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 26,326	R$ 19,923	R$ 20,708
Other comprehensive income (loss):			
Foreign currency translation adjustment	5,778	(654)	13
COMPREHENSIVE INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 32,104	R$ 19,269	R$ 20,721

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	Treasury	Retained	Accumulated Comprehensive	Total Shareholders'	Non-Controlling	Total
	Shares	Par Value	Capital	Stock	Earnings	Income (Loss)	Equity	Interest	Equity
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
Net income	-	-	-	-	26,326	-	26,326	(1,167)	25,159
Purchase of Company's shares	(24,750)			(966)			(966)		(966)
Cumulative translation adjustment	-	-	-	-	-	5,778	5,778	-	5,778
Balance, December 31, 2014	8,104,687	R$ 1	R$ 61,148	R$ (3,026)	R$ 49,776	R$ 4,009	R$ 111,908	R$ 3,584	R$ 115,492

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,		
	2014	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES:			
NET INCOME (LOSS) ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	R$ 26,326	R$ 19,923	R$ 20,708
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	11,139	8,816	7,452
(Gain) Loss on assets sold and impairment of assets	(23)	(2,878)	411
Deferred income tax asset	17	(2,079)	(187)
Deferred income tax liability	-	-	(1,262)
Non-controlling interest	(1,168)	621	1,252
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(8,901)	(6,006)	(8,648)
Inventories	(1,001)	138	757
Prepaid expenses and other current assets	(4,059)	2,115	(524)
Other assets	(1,539)	549	(2,805)
(Decrease) increase in:			
Accounts payable and accrued expenses	4,910	107	2,226
Payroll and related accruals	4,244	1,719	(836)
Taxes	1,512	36	2,828
Other liabilities	2,211	939	3,500
Deferred income	(5,945)	11,408	(169)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	27,723	35,408	24,703
CASH FLOW FROM INVESTING ACTIVITIES:			
Additions to property and equipment, net of proceeds from sale of assets	(26,407)	(19,373)	(14,451)
Yoggi acquisiton (note 3.2.3)	-	-	(2,000)
Exchange of shares (notes 3.2.2)	-	-	(1,089)
CASH FLOWS USED IN INVESTING ACTIVITIES	(26,407)	(19,373)	(17,540)
CASH FLOW FROM FINANCING ACTIVITIES:			
Net Borrowings (Repayments) under lines of credit	4,650	2,640	4,329
Acquisition of Company's own shares	(966)	-	-
Non-contoling dividend paid by IRB	-	-	(800)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,684	2,640	3,529
EFFECT OF FOREIGN EXCHANGE RATE	5,778	(654)	13
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,778	18,021	10,705
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	50,083	32,062	21,357
CASH AND CASH EQUIVALENTS AT END OF YEAR	R$ 60,861	R$ 50,083	R$ 32,062

See Notes to Consolidated Financial Statements

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 food service groups in Brazil and franchise units in Angola and Chile.

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

BOB'S TRADEMARK

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 TRADEMARK

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 TRADEMARK

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 TRADEMARK

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 approximately 250 stores in Chile. See note 3.2.2.

YOGGI TRADEMARK

In May 2012 the Company acquired the Yoggi brand, a Brazilian frozen yogurt network 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 unaudited Consolidated Quarterly Financial Information 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 IFRSs 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, 2014 were approved by the Board of Directors on March 31, 2015.

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:

December 31, 2013

Subsidiary	Brand	Type of Business	Ownership percentage	See Item
BFFC do Brasil Participações Ltda	None	Brazilian holding	100%	
Venbo Comércio de Alimentos Ltda ("Venbo")	Bob's	Own-operated stores and franchise chain management	100%	
LM Comércio de Alimentos Ltda ("LM")	Bob's	Own-operated stores	99.9%	
PCN Comércio de Alimentos Ltda ("PCN")	Bob's	Own-operated stores	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%	
CFK São Paulo Comércio de Alimentos Ltda ("CFK")	KFC	Franchisee operator	99.9%	

FCK Comércio de Alimentos Ltda ("FCK")	KFC	Franchisee operator	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%	
DGS Comércio de Alimentos Ltda ("DGS")	Doggis	Local Master Franchisee	100%	**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%	**3.2.4**

December 31, 2014

Subsidiary	Brand	Type of Business	Ownership percentage	See Item
BFFC do Brasil Participações Ltda	None	Brazilian holding	100%	
Venbo Comércio de Alimentos Ltda ("Venbo")	Bob's	Own-operated stores	100%	
LM Comércio de Alimentos Ltda ("LM")	Bob's	Own-operated stores	100%	
PCN Comércio de Alimentos Ltda ("PCN")	Bob's	Own-operated stores	99.9%	
Schott Comércio de Alimentos Ltda (“Schott”)	Bob's	Own-operated stores	99.9%	
DGS Comércio de Alimentos Ltda ("DGS")	Bob's	Own-operated stores	100%	**3.2.2**
SEPARK Comércio de Alimentos Ltda ("SEPARK")	Bob's	Own-operated stores	99.9%	
CFK Comércio de Alimentos Ltda ("CFK")	Bob's	Franchisee operator	99.9%	
Aerofood Comércio de Alimentos Ltda (“Aerofood”)	Bob's	Own-operated stores	99.9%	
Bigburger Caxias Lanchonetes Ltda (“Bigburger”)	Bob's	Own-operated stores	99.9%	
WP Comércio de Alimentos Ltda. (“WP”)	Bob's	Own-operated stores	99.9%	
DC Américas Comércio de Alimentos (“DC AMERICAS”)	Bob's	Own-operated stores	99.9%	
Olifreitas Comércio de Alimentos Ltda	Bob's	Own-operated stores	99.9%	
Airfood Comércio de Alimentos Ltda	Bob's	Own-operated stores	99.9%	
CFK São Paulo Comércio de Alimentos Ltda ("CFK")	KFC	Franchisee operator	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%	
FCK Comércio de Alimentos Ltda ("FCK")	Doggis	Local Master Franchisee	100%	
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%	**3.2.4**

**During the first quarter of 2014 the Company restructured its subsidiaries – some were established and others changed the brand operation*

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 December 31, 2014 are BFFC do Brasil, Venbo, PCN, LM, CFK-RJ, CFK-SP, FCK, MPSC, DGS, SCHOTT, LITTLE BOSS, CLFL, SEPARK, AEROFOOD, BIGBURGER, OLIFREITAS, WP e DC AMERICAS 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 31, 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 trademark in Brazil. G&N owns 100% of BBS's capital shares and will continue to develop the Bob's trademark 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
Equipment and machinery	68
Intangible assets	1,578
Goodwill	322
	2,220

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 another Brazilian company of which IRB's current CEO is the main stockholder. 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, 2014 and 2013.

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, 2014, the Company had approximately 1,154 franchised points of sale (approximately 1,070 on December 31, 2013). 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 trademark 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´s and Doggis' Brand

According to the company's franchise agreements, the Bob's marketing fund for advertising and promotions is comprised of financial contributions paid by its franchisees and own-operated restaurants. The Company manages the funds, which must be used in the common interest of the Bob's, Yoggi's and Doggis' chains through the best efforts of its marketing department to increase restaurant sales. Each brand marketing fund is managed separately.

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.

The Bob's marketing fund is mainly invested in nationwide advertising programs (commercials or advertising on TV, radio and billboards). 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. These balances represented contributions made by the Company and franchisees that had not yet been used in campaigns. On December 31, 2014 and 2013 there was no balance of this type.

Marketing funds expenses on advertising and promotions are recognized as incurred. Total marketing investments financed by the marketing fund amounted to R$56.8 , R$51.8 million and R$41.6 million for the twelve-month periods ended December 31, 2014, 2013 and 2012, 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 R$7.6 million, R$6.5 million and R$ 8.1 million for the twelve-month periods ended December 31, 2014, 2013 and 2012, 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, 2014 and 2013, 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, 2014 and 2013 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 The following standards were recently adopted by the Company:

- 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 adoption of IAS 32 in 2014 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.

- 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, 2014, and have not been listed in the present Consolidated Quarterly Financial Information because of either their non-applicability to or their immateriality to the Company´s consolidated financial statements.

- 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.

- IAS 16 and IAS 38 - "Clarification of Acceptable Methods of Depreciation and Amortization" in May 2014, the IASB issued revision of IAS 16 and IAS 38. This review aims to clarify depreciation and amortization methods, observing the line with the concept of future economic benefits expected from the use of the asset during its useful life. This change in standard is effective for annual periods beginning on / after January 1, 2016. The Company does not expect impacts of this revised standard on its financial statements.

- During September 2014, the IASB issued a revision of IFRS 5, IFRS 7, IAS 19 and IAS 34. These standards are effective for annual periods beginning on / after January 1 2016. The Company is evaluating the impact of adopting these amendments on its financial statements.

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, 2014, 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.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

R$'000	December 31,	
	2014	2013
Cash at point of sales	R$ 1,485	R$ 990
Cash with money collectors	622	694
Bank accounts	40,782	34,580
Investments funds (a)	17,972	13,819
	R$ 60,861	R$ 50,083

(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$'000	December 31,	
	2014	2013
Clients - food sales	R$ 14,717	R$ 10,077
Franchisees - current accounts	12,537	11,556
Franchisees - renegotiated past due accounts	3,774	1,832
Franchisees - receivable from sales of assets	1,346	1,265
Franchisees - marketing fund receivable	8,641	7,193
Allowance for doubtful accounts	(354)	(163)
	R$ 40,661	R$ 31,760

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.

The account receivable aging is as follows:

	December 30, 2014
Current accounts	R$ 32,326
Past due accounts	
1 to 30 days	1,551
31 to 60 days	999
61 to 90 days	394
91 to 180 days	2,418
Over 180 days	3,327
Allowance for doubtful accounts	(354)
	40,661

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	2014	2013
Balance January 1,	R$ (163)	R$ (220)
Increase in allowance for doubtful accounts during the year	(191)	(136)
Write-off during the year	-	55
Reversal of previous accrual - accounts received or renegotiated	-	138
Balance December 31,	(354)	(163)

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$1.463 (R$717 in 2013) consist of resources funded by the Company related to increasingly competitive pressure on the fast food segment. Due to the current macro-economic and competition environment, the Company increased its investment in media, especially in increasing TV.

b) Other receivables and Other assets

Other receivables and other assets consist of the following:

Other current assets:

	December 31,	
	2014	2013
Witholding taxes	R$ 2,252	R$ 1,097
Receivables from suppliers (a)	192	530
Franchise receivable other than royalties - current portion (b)	1,057	1,671
Other current receivables	1,292	463
	R$ 4,793	R$ 3,761

	December 31,	
	2014	2013
Franchise receivable other than royalties - non-current portion (b)	R$ 220	R$ 643
Judicial deposits (c)	13,259	11,252
Properties for sale (d)	1,178	1,223
	R$ 14,657	R$ 13,118

(a) Receivables derive 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 December 30, 2014, and the Company recorded the carrying amount (cost of acquisition, net of accumulated depreciation) as property for sale (R$1,178).

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.

During the twelve months ended December 31, 2014, the sale of assets and assets disposals derived a loss of R$23.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2014	December 31, 2013
Leasehold improvements	R$ 51,240	R$ 38,023
Machinery, equipment and software	47,522	41,717
Furniture and fixtures	11,861	9,865
Assets under capitalized leases	369	201
Vehicles	266	266
Work in progress	956	4,025
	112,214	94,097
Leasehold improvements	(20,754)	(18,990)
Machinery, equipment and software	(24,818)	(22,686)
Furniture and fixtures	(5,583)	(5,041)
Vehicles	(174)	(140)
Less: Accumulated depreciation and amortization	(51,329)	(46,857)
	R$ 60,885	R$ 47,240

Changes in Property and equipment were as follows:

	December 31, 2013	Additions	Disposals	Transfers	December 31, 2014
Cost					
Leasehold improvements	R$ 38,023	11,358	(4,718)	6,577	R$ 51,240
Machinery, equipment and software	41,717	9,052	(3,885)	638	47,522
Furniture and fixtures	9,865	2,586	(920)	330	11,861
Assets under capitalized leases	201	1,530	(1,077)	(285)	369
Vehicles	266	-	-	-	266
Work in progress	4,025	4,169	-	(7,238)	956
	94,097	28,695	(10,600)	22	112,214
Accumulated depreciation					
Leasehold improvements	(18,990)	(3,607)	1,843	-	(20,754)
Machinery, equipment and software	(22,686)	(3,247)	1,115	-	(24,818)
Furniture and fixtures	(5,041)	(876)	334	-	(5,583)
Vehicles	(140)	(33)	(1)	-	(174)
	(46,857)	(7,763)	3,291	-	(51,329)
	R$ 47,240	R$ 20,932	R$ (7,309)	R$ 22	R$ 60,885

	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

NOTE 9 – INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2014	December 31, 2013
Cost		
Leasehold premiums	R$ 17,602	R$ 17,196
Software	3,633	3,563
Trade mark (a)	608	608
Franchise Contracts acquired (a)	971	971
Franchise Charges	3,315	2,438
	R$ 26,129	R$ 24,776
Accumulated amortization		
Leasehold premiums	R$ (9,835)	R$ (8,393)
Software	(2,061)	(1,625)
Franchise Contracts acquired (a)	(168)	(95)
Franchise Charges	(1,510)	(1,200)
	R$ (13,574)	R$ (11,313)
	R$ 12,555	R$ 13,463

(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, 2013	Additions	Disposals	Transfers	December 31, 2014
Cost					
Leasehold premiums	R$ 17,196	819	(413)	-	R$ 17,602
Software	3,563	86	(16)	-	3,633
Trade mark (a)	608	-	-	-	608
Franchise Contracts acquired (a)	971	-	-	-	971
Franchise Charges	2,438	937	(60)	-	3,315
	24,776	1,842	(489)	-	26,129
Accumulated amortization					
Leasehold premiums	(8,393)	(1,645)	203	-	(9,835)
Software	(1,625)	(452)	16	-	(2,061)
Franchise Contracts acquired (a)	(95)	(73)		-	(168)
Franchise Charges	(1,200)	(310)	-	-	(1,510)
	(11,313)	(2,480)	219	-	(13,574)
	R$ 13,463	R$ (638)	R$ (270)	R$ -	R$ 12,555

	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

The following table sets forth the future amortization expenses:

	Amortization expenses
2015	R$ (2,383)
2016	(2,383)
2017	(2,383)
2018	(2,383)
Thereafter	(3,631)
	R$ (13,163)

NOTE 10 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2014	2013
Suppliers	R$ 13,548	R$ 9,251
Rent payable	1,819	2,186
Consulting fees	-	589
Accrued utilities	31	500
Marketing fund	519	183
Royalty payable	812	929
Other accrued liabilities	2,122	303
	R$ 18,851	R$ 13,941

NOTE 11 - TAXES

11.1 – TAX PAYABLE COMPOSITION

Taxes Payable at December 31, is comprised as follows:

	December 31,	
	2014	2013
Income taxes	R$ 3,485	R$ 3,743
Taxes Other than Income	5,911	4,141
	R$ 9,396	R$ 7,884

For the total amount of the Company's income tax payable of R$3,485, R$1,461 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, 2014 relating to income tax were R$43.9 million (40.6 million in 2013) and to social contribution tax were R$60.6 million (R$65.7 million in 2013), 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:

	December 31,		
	2014	2013	2012
NET INCOME BEFORE INCOME TAX	30.848	30.867	28.423
Tax (expense) income at the combined statutory rate - 34%	R$ (10.488)	R$ (10.495)	R$ (9.664)
Valuation Allowance (increase) decrease	2.402	1.214	(1.012)
Differences between staturory and other tax rates applied to certain subsidiaries (1)	4.535	3.064	3.519
Credits derived from equity restructuring	-	-	-
Other permanent differences	(2.137)	(4.105)	694
Income tax expense as reported in the accompanying consolidated statement of operations	R$ (5.689)	R$ (10.323)	R$ (6.463)

(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, 2014 and 2013, 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.

	December 31,	
	2014	2013
Deferred tax assets:		
Tax loss carry forward	R$ 16,460	R$ 16,067
Net temporary differences	498	3,310
Total deferred tax assets	16,958	19,377
Valuation allowance	(6,331)	(8,733)
Net deferred tax asset	R$ 10,627	R$ 10,644

Company´s forecasts indicate that operating results for the future five years 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 carryforwards 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$193.2. Taxable income for the years ended December 31, 2014 and 2013 was R$33,030 and R$30,867, 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, 2014. 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 carryforwards 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, 2014 and 2013:

	December 31,	
	2014	2013
Balance at January 1,	R$ (8,733)	R$ (9,947)
Additions	-	(5,259)
Reversals	2,402	6,474
Balance at December 31,	R$ (6,331)	R$ (8,733)

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 2009 through 2014.

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.

On May 13, 2014, MP 627 was converted into Law 12.973/14.

The Company has analyzed the effects of Law 12.973/14 and concluded that its adoption will not have a material impact on its financial statements. The Management opted to adopt it from January 1, 2015 onward.

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, 2014 are as follows:

Fiscal Year	Contractual Leases
2015	7,242
2016	5,923
2017	5,588
2018	5,165
2019	4,060
Thereafter	153
Total	28,131

Rent expense was R$26.2 million, R$20.9 million, and R$19.2 million for the years ended December 31, 2014, 2013, and 2012, 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, 2014 the company had the amount of R$5.4 million (R$7.5 million in 2013) recorded as Current portion of Deferred Income and R$5.1 million (R$8.9 million in 2013) 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:

	December 31,					
	2014			2013		
	Total Liability	Current Liability	Long Term Liability	Total Liability	Current Liability	Long Term Liability
Reassessed taxes						
Federal taxes (REFIS IV)	330	330	-	2,070	2,070	-
Federal taxes (REFIS 2013)	2,415	242	2,173	3,114	311	2,803
Contingencies						
REFIS IV	7,122	-	7,122	5,385	-	5,385
ISS tax litigation	10,979	-	10,979	9,526	-	9,526
Labor litigation	1,475	-	1,475	2,098	-	2,098
Property leasing and other litigation	502	-	502	378	-	378
TOTAL	22,823	572	22,251	22,571	2,381	20,190

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

Venbo filed an administrative appeal against the Brazilian Internal Revenue Service's ruling, requesting a review of the calculations for the REFIS IV program. 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 118 more monthly installments of approximately R$60,456 commencing in October 2014, with interest accruing at rates set by the Brazilian Federal Government (SELIC), which is currently 9.84% p.a.

During the twelve-month period ended December 31, 2014, the Company paid approximately R$0.5 million (R$2.2 million in the same period of 2013) related to REFIS IV program, including R$0.2 million of interests.

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.

During the second quarter of 2014 the Brazilian Federal Government reopened the last amnesty program "REFIS V", through which the Company may consolidate all its previous reassessed taxes with some discounts on interest and fines originally applied to tax debts. The Company did not apply to REFIS V.

Contingencies:

- REFIS IV

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

- Income tax notices

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 trademarks 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 as result of the effect of such transaction on the income taxes calculation on 2007 and 2008.

In the first semester of 2014, Venbo received another notice form the Brazilian tax authorities. Such notice derived other fine in the amount of R$33 million for the same reason as the previous one, but this time as a result of the effect of the restructure referred above on the income taxes calculation on 2009 to 2011.

The Company filed administrative appeal against each penalty charged by the Brazilian Internal Revenue Service ("RFB").

The Company estimates that the RFB's decision for both notices 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 September 30, 2014. 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, 2014, the Company had deposited R$10.9 million (R$9.4 million by December 31, 2013), 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, 2014, the Company accounted for R$1.5 million for labor-related liabilities (R$1.8 million in December 31, 2013), 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, 2014 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$28.1 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, 2014, and December 31, 2013 we had the following debt obligations with financial institutions:

	Short tem		Long term	
	December 31,	December 31,	December 31,	December 31,
Type and Financial and institution	2014	2013	2014	2013
Working capital - HSBC Bank (a)	R$ 1,915	R$ 3,327	R$ -	R$ -
Working capital - Banco Bradesco (b)	1,090	1,104	999	2,122
Working capital - Banco do Brasil (c)	1,111	1,656	-	1,122
Working capital - Banco Bradesco (d)	156	156	31	227
Working capital - Banco Itaú (e)	1,194	1,250	1,694	2,916
Working capital - Banco Itaú (f)	-	1,236	-	2,987
Working capital - Banco Itaú (g)	750	750	-	750
Working capital - Banco Itaú (h)	4,873	2,836	-	-
Equipment financing - BNDES (i)	327	431	299	487
Working capital - Banco Itaú (J)	600	-	750	-
Working capital - Banco Itaú (k)	750	-	1,812	-
Working capital - Banco Itaú (l)	1,712	-	5,848	-
Working capital - HSBC Bank (m)	67	70	59	133
Working capital - Banco Bradesco (n)	385	-	-	-
Equipment financing - Bradesco (o)	72	-	174	-
Working capital - Banco Itaú (p)	750	-	750	-
Other financing	42	-	-	-
	R$ 15,794	R$ 12,816	R$ 12,416	R$ 10,744

Loans information is summarized below:

Type and Financial and institution	Financial charges	Currency	Maturity	# installments	Monthly installments	collateral
(a) Working capital - HSBC Bank	Interets of 13.6% a.a.	R$	2014	Due on demand		Receivables
(b) Working capital - Banco Bradesco	Interets of 12.6% a.a.	R$	Nov, 2016	23	R$91	Receivables
(c) Working capital - Banco do Brasil	Interets of 12.9% a.a.	R$	Aug, 2015	8	R$138	Receivables
(d) Working capital - Banco Bradesco	Interets of 13.6% a.a.	R$	Mai, 2016	14	R$13	Receivables
(e) Working capital - Banco Itaú	Interets of 14.0% a.a.	R$	Mar, 2017	29	R$100	Receivables
(f) Working capital - Banco Itaú	Interets of 15.0% a.a.	R$		Entirely paid during 2014		
(g) Working capital - Banco Itaú	Interets of 15.3% a.a.	R$	Dec, 2015	12	R$63	Receivables
(h) Working capital - Banco Itaú	Interets of 18.0% a.a.	R$	2014	Due on demand		Receivables
(i) Equipment financing - BNDES	Interets of 11.6% a.a.	R$	Jun, 2017	30	R$18	Equipment
(j) Working capital - Banco Itaú	Interets of 18,6% a.a.	R$	Mar, 2017	27	R$50	Receivables
(k) Working capital - Banco Itaú	Interets of 16.7% a.a.	R$	May, 2018	41	R$62	Receivables
(l) Working capital - Banco Itaú	Interets of 14.0% a.a.	R$	Jun, 2019	53	R$140	Receivables
(m) Working capital - HSBC Bank	Interets of 13.6% a.a.	R$	Dec, 2016	24	R$6	Receivables
(n) Working capital - Banco Bradesco	Interets of 18.6% a.a.	R$	2014	Due on demand		Receivables
(o) Equipment financing - Bradesco	Interets of 17.9% a.a.	R$	Mar, 2018	49	R$6	Equipment
(p) Working capital - Banco Itaú	Interets of 17.1% a.a.	R$	Jun, 2019	24	R$63	Receivables

At December 31, 2014, future maturities of loans and financing are as follows:

Remaing 2015	R$	15,703
2016		6,404
2017		3,334
2018		2,056
2019		713
	R$	28,210

From the total debt of R$28.7 million, R$5.9 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, 2014.

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$1,398 as other liabilities in its consolidated balance sheet as of December 31, 2014 (R$2,170 in 2013).

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, 2014 and 2013:

	2014	2013
Issued shares	8,472,927	8,472,927
Less: Treasury stock	(368,240)	(343,490)
Outstanding shares	8,104,687	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 2014, the Company repurchased 24,750 shares related to such plan in the amount of US$417 thousand, equivalent to R$966 thousand. The Company did not repurchase any shares under the stock repurchase plan in 2012 and 2013.

Up to December 31, 2014, Company repurchased a total amount of 368,240 shares and the accumulated stock purchases totaled R$3.1 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 and since 2011 there were no dividends paid.

NOTE 16 - ADMINISTRATIVE EXPENSES

Administrative Expenses consist of the following:

	Year Ended December 31,		
	2014	2013	2012
Payroll & Related Benefits	17,777	11,873	13,027
Occupancy expenses	2,407	2,738	1,805
Contracted Services	12,087	15,058	13,711
Travel and transport expenses	1,407	1,329	1,129
Other Administrative Expenses	2,457	3,122	3,964
	36,135	34,120	33,636

NOTE 17 - OTHER OPERATING EXPENSES

Other expenses consist of the following:

	December 31,		
	2014	2013	2012
Uncollectable receivables	2,367	3,482	306
Logistics expenses	-	-	-
Accruals for litigation - labor and other	717	1,226	1,410
Accruals for litigation - tax/ REFIS 2013	-	1,870	-
Depreciation of Headquarters' fixed assets	992	1,614	1,476
Preoperating and other expenses	5,424	3,597	2,392
	R$ 9,500	R$ 11,789	R$ 5,584

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 and during the fourth quarter of 2014.

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.

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, 2014 the Company recognized R$25.1 million in its Consolidated Statement of Operations (R$26.7 million in 2013 and R$22.1 in 2012), related to such agreements.

NOTE 19 - INTEREST EXPENSE, NET

Interest Expenses, net consist of the following:

	December 31,		
	2014	2013	2012
Interest income	R$ 2,419	R$ 3,383	R$ 3,299
Interest expense	(6,314)	(5,814)	(3,766)
	R$ (3,895)	R$ (2,431)	R$ (467)

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, 2014 and 2013, 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, 2014 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$60.9 million which is sufficient to honor the expenses over the next 90 days, in addition to cash generated by its operations and the existing credit facilities with banks for operations or trade finance, secured by existing receivables.

The amounts recognized as of December 31, 2014 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, 2014 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.

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 2014 and 2013 derived no fair value measure of assets and liabilities.

NOTE 22 - TRANSACTIONS WITH RELATED PARTIES

Among all 1,154 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, 2014 the Company account receivables included R$621 (R$539 in 2013) 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 1,257 point of sales.

The Company owns and operates, through its subsidiaries Venbo, LM and PCN, 48 points of sale under the Bob's brand. Besides the own-operated point of sales, 1,079 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, 15 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 36 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, 27 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, 48 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 1,154 franchise-operated points of sales, 705 were located at the same region, providing 57.5% of Net Revenues from Franchisees.

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

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

R$ 000'	Results from own-stores operations		
	Year Ended December 31,		
	2014	2013	2012
Gross restaurant sales	R$ 263,941	R$ 228,993	R$ 198,514
Tax on sales	(25,107)	(22,306)	(20,407)
Net restaurant sales	238,834	206,688	178,107
Food, Beverage and Packaging	(79,223)	(72,148)	(58,057)
Payroll & Related Benefits	(57,315)	(44,895)	(36,908)
Restaurant Occupancy	(31,923)	(22,923)	(19,747)
Contracted Services	(23,410)	(20,157)	(19,304)
Depreciation and Amortization	(10,147)	(7,202)	(5,976)
Royalties charged	(9,749)	(8,344)	(7,016)
Marketing expenses	(11,104)	(9,909)	(5,472)
Other Store Costs and Expenses	(9,266)	(10,733)	(11,244)
Total Own-stores cost and expenses	(232,137)	(196,311)	(163,724)
Operating margin	R$ 6,697	R$ 10,377	R$ 14,383

	Results from franchise operations		
	Year Ended December 31,		
	2014	2013	2012
Gross Franchise Revenues	R$ 64,674	R$ 59,939	R$ 50,718
Tax on Franchise Revenues	(3,834)	(7,387)	(5,403)
Net Franchise Revenues	60,840	52,552	45,315
Payroll & Related Benefits	(9,786)	(9,155)	(6,938)
Occupancy expenses	(547)	(293)	(1,107)
Travel expenses	(1,362)	(1,516)	(1,294)
Contracted Services	(1,766)	(3,149)	(1,291)
Other franchise cost and expenses	(1,426)	(543)	(5,020)
Total franchise cost and expenses	(14,887)	(14,656)	(15,650)
Operating margin	R$ 45,953	R$ 37,896	R$ 29,665

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	45,945	37,625	29,876
Doggi´s Brand	(602)	450	(503)
Yoggi´s Brand	610	(179)	292
Franchise Operating Margin	R$ 45,953	R$ 37,896	R$ 29,665

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, 2014, 2013 and 2012:

	Results from Bob´s brand operations			Results from KFC´s brand operations		
	Year Ended December 31,			Year Ended December 31,		
	2014	2013	2012	2014	2013	2012
Revenues	R$ 88,435	R$ 76,424	R$ 68,556	R$ 34,274	R$ 37,782	R$ 33,097
Food, Beverage and Packaging	(33,066)	(30,776)	(25,233)	(12,492)	(14,858)	(12,620)
Payroll & Related Benefits	(23,520)	(18,745)	(15,086)	(8,785)	(8,162)	(7,578)
Occupancy expenses	(13,103)	(8,834)	(7,409)	(4,648)	(4,681)	(4,272)
Contracted Services	(8,937)	(7,939)	(7,131)	(2,917)	(2,952)	(3,404)
Depreciation and Amortization	(3,783)	(2,523)	(2,039)	(498)	(1,619)	(1,628)
Royalties charged	-	-	-	(2,206)	(2,365)	(1,958)
Marketing expenses	(3,514)	(3,130)	(498)	(1,823)	(2,061)	(502)
Other Store Costs and Expenses	(1,784)	(2,575)	(5,767)	(2,379)	(3,799)	(2,180)
Total Own-stores cost and expenses	(87,707)	(74,522)	(63,163)	(35,748)	(40,497)	(34,142)
Operating margin	R$ 728	R$ 1,903	R$ 5,393	R$ (1,474)	R$ (2,715)	R$ (1,045)
Other allocated expenses:						
Income Tax	(7,481)	(10,914)	(3,361)	-	7,028	261
Interest income (expense)	(55)	(2,002)	718	(3)	(88)	42
Operating margin less other alocated expenses	R$ (6,808)	R$ (11,014)	R$ 2,750	R$ (1,477)	R$ 4,225	R$ (742)
Loans and Financing	5,302	9,717	13,923	-	-	-

	Results from Pizza Hut´s brand operations		
	Year Ended December 31,		
	2014	2013	2012
Revenues	R$ 116,125	R$ 92,481	R$ 76,454
Food, Beverage and Packaging	(33,665)	(26,514)	(20,204)
Payroll & Related Benefits	(25,010)	(17,988)	(14,244)
Occupancy expenses	(14,172)	(9,409)	(8,066)
Contracted Services	(11,556)	(9,266)	(8,769)
Depreciation and Amortization	(5,866)	(3,060)	(2,310)
Royalties charged	(7,543)	(5,979)	(4,960)
Marketing expenses	(5,767)	(4,718)	(4,472)
Other Store Costs and Expenses	(5,103)	(4,357)	(3,394)
Total Own-stores cost and expenses	(108,682)	(81,291)	(66,419)
Operating margin	R$ 7,443	R$ 11,190	R$ 10,035
Other allocated expenses:			
Income Tax	(7,530)	(798)	(1,293)
Interest income (expense)	(3,925)	(1,540)	(1,139)
Operating margin less other alocated expenses	R$ (4,012)	R$ 8,852	R$ 7,603
Loans and Financing	22,740	13,843	6,997

Below we provide the segment information and its reconciliation to the Company´s income statement for the twelve months ended December 31, 2014, 2013 and 2012:

	Year ended December 31,		
	2014	2013	2012
Bob´s operating income, less other allocated expenses	R$ (4,803)	R$ (11,014)	R$ 2,750
KFC´s operating loss, less other allocated expenses	(1,477)	4,225	(742)
Pizza Hut´s operating income, less other allocated expenses	(2,007)	8,852	7,603
Doggis' operating loss, less allocated expenses	-	-	-
Total operating income	(8,287)	2,063	9,611
Income from franchise operations	45,991	37,896	29,665
Unallocated Administrative Expenses	(36,122)	(34,120)	(33,636)
Unallocated Other Operating Expenses	(9,500)	(11,789)	(5,584)
Unallocated Net Revenues from Trade Partners	25,167	26,773	22,184
Unallocated Other income	2,487	1,283	2,289
Unallocated Net result of assets sold	23	2,878	(411)
Unallocated Interest Income (Expenses)	88	1,199	(88)
Unallocated income tax	5,312	(5,639)	(2,070)
Total Unallocated Expenses	(12,545)	(19,415)	(17,316)
NET INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	25,159	20,544	21,960

NOTE 24 –ADOPTION OF IFRS AND COMPARISON WITH USGAAP

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 years ended December

31, 2012, 2013 and 2014. The Consolidated Financial Statements for those periods in IFRS do not differ from the Consolidated Financial Statements in USGAAP.

BRAZIL FAST FOOD CORP.

MANAGEMENT'S DISCUSSION OF RESULTS OF OPERATIONS

DECEMBER 31, 2014

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, 2014, 2013 AND 2012

(Amounts in thousands of Brazilian Reais)

The following table sets forth the statement of operations for the twelve months ended December 31, 2014, 2013 and 2012. 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-14	%	12 Months Ended 31-Dec-13	%	12 Months Ended 31-Dec-12	
REVENUES FROM RESTAURANTS AND FRANCHISEES						
Net Revenues from Own-operated Restaurants	*R$ 238,834*	*79.7%*	*R$ 206,688*	*79.7%*	*R$ 178,107*	*79.7%*
Net Revenues from Franchisees	60,878	*20.3%*	52,552	*20.3%*	45,315	*20.3%*
TOTAL REVENUES FROM RESTAURANTS AND FRANCHISEES	*299,712*	*100.0%*	*259,240*	*100.0%*	*223,422*	*100.0%*
OPERATING COST AND EXPENSES						
Store Costs and Expenses	(232,137)	*-77.5%*	(196,311)	*-75.7%*	(163,724)	*-73.3%*
Franchise Costs and Expenses	(14,887)	*-5.0%*	(14,656)	*-5.7%*	(15,650)	*-7.0%*
Administrative Expenses	(36,122)	*-12.1%*	(34,120)	*-13.2%*	(33,636)	*-15.1%*
Income from Trade Partners	25,167	*8.4%*	26,773	*10.3%*	22,184	*9.9%*
Other Income	2,487	*0.8%*	1,283	*0.5%*	2,289	*1.0%*
Other Operating Expenses	(9,500)	*-3.2%*	(11,789)	*-4.5%*	(5,584)	*-2.5%*
Impairment of assets	-	*0.0%*	-	*0.0%*	-	*0.0%*
Net result of assets sold	23	*0.0%*	2,878	*1.1%*	(411)	*-0.2%*
TOTAL OPERATING COST AND EXPENSES	*(264,969)*	*-88.4%*	*(225,942)*	*-87.2%*	*(194,532)*	*-87.1%*
OPERATING INCOME	**34,743**	***11.6%***	**33,298**	***12.8%***	**28,890**	***12.9%***
Interest Expense, net	(3,895)	*-1.3%*	(2,431)	*-0.9%*	(467)	*-0.2%*
NET INCOME BEFORE INCOME TAX	**30,848**	***10.3%***	**30,867**	***11.9%***	**28,423**	***12.7%***
Income taxes - deferred	(17)	*0.0%*	2,343	*0.9%*	1,089	*0.5%*
Income taxes - current	(5,672)	*-1.9%*	(12,666)	*-4.9%*	(7,552)	*-3.4%*
NET INCOME BEFORE NON-CONTROLLING INTEREST	**25,159**	***8.4%***	**20,544**	***7.9%***	**21,960**	***9.8%***
Net (income) loss attributable to non-controlling interest	1,167	*0.4%*	(621)	*-0.2%*	(1,252)	*-0.6%*
NET INCOME ATTRIBUTABLE TO BRAZIL FAST FOOD CORP.	**R$ 26,326**	***8.8%***	**R$ 19,923**	***7.7%***	**R$ 20,708**	***9.3%***

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$32.1 million, or 15.6%, to R238.8 million for the twelve months ended December 31, 2014, compared to R$206.7 million for the twelve months ended December 31, 2013.

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.

The overall Company's sales increases are mainly attributable increase of 1 own-operate points of sales.

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	2014	%	2013	%	2012
Bob's	R$ 88,435	15.7%	R$ 76,424	11.5%	R$ 68,556
KFC	34,274	-9.3%	37,782	14.2%	33,097
IRB - Pizza Hut	116,125	25.6%	92,481	21.0%	76,454
Consolidated Net Revenues	R$ 238,834	15.6%	R$ 206,688	16.0%	R$ 178,107

Bob's net restaurant sales increase in the twelve months ended December 31, 2014 is attributable to the increase of points of from 40 in December 31, 2013 to 48 in December, 31 2014. Sales increases were also consequence of improvement of suggestive sales program, remodeling of some point of sales and intensive marketing campaigns at TV media (focusing premium sandwiches, new dressing and low value items).

Under the criterion of same store sales, which compares the sales of stores that have been open for at least one year, Bob's restaurant sales increased 3.8% in the twelve-month period ended December 31, 2014 compared to the same period in 2013, even considering that 2013 had important events that positively impacted Company Bob's brand sales (the Rock in Rio Festival and the Catholic World Youth Conference, both in Rio de Janeiro).

Overall KFC sales decrease is mainly attributable to menu modification since December 2013 which reduced the average ticket of KFC restaurants and to the decrease in the number of points of sale from 20 on December 31, 2013 to15 on December 31, 2014.

Under the criterion of same store sales, Pizza Hut's restaurant sales increased 3.6% in the twelve–month period ended December 31, 2014 compared to the same period in 2014. Pizza Hut's sales increase is mainly attributable to (i) the opening of four new Pizza Hut restaurants in São Paulo (from 32 on December 31, 2013 to 36 on December 31, 2014); (ii) the launch of a new starter menu item - promoted by TV midia - which derived higher average sales tickets. The increase of Pizza Hut sales is also attributable to (i) successful marketing campaigns focusing discounted prices on some products during the working days, benefit vouchers issued by trade partners and online orders; (ii) changing the beverage supplier in order to have more popular refreshment products in Brazil such as Coca-cola and Heineken (iii) change of marketing agency which brought new media strategy.

All percentages presented refer to nominal growth. Inflation during the period between December 31, 2014 and December 31, 2013 were 6.4%, as per Broad National Consumer Price Index (IPCA), calculated by IBGE.

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:

STORE RESULTS	12 Months Ended 31-Dec-14	%	12 Months Ended 31-Dec-13	%	12 Months Ended 31-Dec-12	
Net revenues from own-operated restaurants	**R$** ***238,834***	***100.0%***	**R$** ***206,688***	***100.0%***	**R$** ***178,107***	***100.0%***
Store Costs and Expenses						
Food, Beverage and Packaging	(79,223)	-33.2%	(72,148)	-34.9%	R$ (58,057)	-32.6%
Payroll & Related Benefits	*(57,315)*	-24.0%	(44,895)	-21.7%	R$ (36,908)	-20.7%
Restaurant Occupancy	*(31,923)*	-13.4%	(22,923)	-11.1%	R$ (19,747)	-11.1%
Contracted Services	*(23,410)*	-9.8%	(20,157)	-9.8%	R$ (19,304)	-10.8%
Depreciation and Amortization	*(10,147)*	-4.2%	(7,202)	-3.5%	R$ (5,976)	-3.4%
Royalties charged	*(9,749)*	-4.1%	(8,344)	-4.0%	R$ (7,016)	-3.9%
Marketing expenses	*(11,104)*	-4.6%	(9,909)	-4.8%	R$ (5,472)	-3.1%
Other Store Costs and Expenses	(9,266)	-3.9%	(10,733)	-5.2%	R$ (11,244)	-6.3%
Total Store Costs and Expenses	***(232,137)***	***-97.2%***	***(196,311)***	***-95.0%***	***(163,724)***	***-91.9%***
STORE OPERATING INCOME	**6,697**	**2.8%**	**10,377**	**5.0%**	**14,383**	**8.1%**

The proportional increase in salaries and related costs stipulated by collective agreements signed with the union labor of the quick service restaurants category and due to even higher turnover at both Pizza Hut and KFC restaurants. Also some premium point of sales had been established at locations such shopping centers and airport terminals that did not reach the

expected client flow. The personnel initially allocated to those points of sales worked at low efficiency for a period before some work force adjustments.

Such increases were partially offset by the decrease related to lower bonus paid to the store employees during 2014 in comparison with 2013 and to a decrease of average number of employees.

The occupancy costs increase due to (i) inflationary restatements annually required by the lease contracts; (ii) new Pizza Huts stores that brought higher nominal rent costs (rent has increased more than official inflationary rates) (iii) low sales at those point of sales established at recently open shopping centers and airport terminals (see discussion above).

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:

	Franchise Operating Margin		
	Year Ended December 31,		
	2014	2013	2012
Gross Revenues From Franchisees	64,674	58,953	50,718
(-) Tax on revenues	(3,834)	(6,401)	(5,403)
Net Revenues From Franchisees	R$ 60,840	R$ 52,552	R$ 45,315

Net franchise revenues increased R$8.3 million, or 15.8 %, to R$60.8 million for the twelve months ended December 31, 2014, from R$52.6 million for the twelve-month period ended December 31, 2013.

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.

These increases are mainly attributable to the growth of our franchise operations from 953 points of sale as of December 31, 2012 to 1,080 as of December 31, 2013 to 1,154 on December 31, 2014.

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.

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.

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:

	12 Months Ended 31-Dec-14	%	12 Months Ended 31-Dec-13	%	12 Months Ended 31-Dec-12	%
FRANCHISE RESULTS						
Net Franchise Revenues	R$ *60,840*	100.0%	R$ *52,552*	100.0%	R$ *45,315*	100.0%
Payroll & Related Benefits	(9,786)	-16.1%	(9,155)	-17.4%	(6,938)	-15.3%
Occupancy expenses	(547)	-0.9%	(293)	-0.6%	(1,107)	-2.4%
Travel expenses	(1,362)	-2.2%	(1,516)	-2.9%	(1,294)	-2.9%
Contracted Services	(1,766)	-2.9%	(3,149)	-6.0%	(1,291)	-2.8%
Other franchise cost and expenses	(1,426)	-2.3%	(543)	-1.0%	(5,020)	-11.1%
Franchise Costs and Expenses	***(14,887)***	**-24.5%**	***(14,656)***	**-27.9%**	***(15,650)***	**-34.5%**
FRANCHISE OPERATING INCOME	**45,953**	**75.5%**	**37,896**	**72.1%**	**29,665**	**65.5%**

3.3 Other Operating Expenses and Income

The Company's general administrative expenses were as follows:

	Year Ended December 31,		
	2014	2013	2012
Payroll & Related Benefits	17,777	11,873	13,027
Occupancy expenses	2,407	2,738	1,805
Contracted Services	12,087	15,058	13,711
Travel and transport expenses	1,407	1,329	1,129
Other Administrative Expenses	2,457	3,122	3,964
	36,135	34,120	33,636

Other operating expenses have the following breakdown:

	December 31,		
	2014	2013	2012
Uncollectable receivables	2,367	3,482	306
Logistics expenses	-	-	-
Accruals for litigation - labor and other	717	1,226	1,410
Accruals for litigation - tax/ REFIS 2013	-	1,870	-
Depreciation of Headquarters' fixed assets	992	1,614	1,476
Preoperating and other expenses	5,424	3,597	2,392
	R$ 9,500	R$ 11,789	R$ 5,584

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

Since March 1996, we 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, 2014, we accumulated net earnings of approximately R$49.8 million. Also, as of December 31, 2014, we had cash on hand of approximately R$60.8 million - which included a R$17.2 million investment in cash equivalent - and a working capital of approximately R$56.8 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, 2014, we had net cash provided by operating activities of R$27.7 million (R$35.4 million in 2013), net cash used in investing activities of R$26.5 million (R$19.4 million used in 2013) and net cash provided from financing activities of R$3.7 million (R2.6 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$3.0 million in share re-purchasing 368,240 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 19 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, DIRECTORS INDEPENDENCE, AND EXECUTIVE OFFICERS

Directors

Currently, our Board of Directors 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.

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 Bachelor of Law degree from the Rio de Janeiro State University, a Master degree in Comparative Law from the Illinois University and a degree in Business Law from the CEPED, a Center of Studies and Research in Law Teaching 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.

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.

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 (Higher School for Advertisement and Marketing) and in the Fundação Getulio Vargas São Paulo (High School for Business Administration). Mr. Gouvêa de Souza is the author of several books, studies and publications on retail markets, franchise and brands administration and marketing and economy. 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. Gouvêa de Souza has a degree from the ESPM and from the São Paulo Business School and has a MBA in Business Administration from the Fundação Getúlio Vargas. 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 de Souza's many years of service in officer positions with major 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 Bastos Rocha has served as one of our directors since 2009. Mr. Rocha is 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 (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 (BM&FBOVESPA: ABRE11), a major education company. In the past Mr. Rocha held several financial and executive positions in Shell Brasil, Cyanamid Quimica do Brasil, Brazil Fast Food Corp., Sony Music Entertainment, Global Telecom, Horizon Telecom International, Sendas (a major Brazilian supermarket chain), Unibanco and Globex (parent company of Ponto Frio, one of the largest household appliances retailer in Brazil). Mr. Rocha holds a degree in electronics engineering from the Military School of Engineers – IME, as well as an MBA in Business Administration from PUC Rio de Janeiro and an Executive MBA in Business Management from SDE/IBEMEC. Mr. 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.

Board Independence

In 2013, the Board of Directors 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, Gustavo Alberto Villela Filho, Gilberto Tomazoni, Marcos Gouvêa de Souza and Marcos Bastos Rocha.

Executive Officers

Below is biographical information for our Chief Executive Officer and Chief Financial Officer, Mr. Ricardo Figueiredo Bomeny, and our Corporate Secretary, Ms. Lilianne Bastos de Sá Borges.

Ricardo Figueiredo Bomeny is 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 Rio de Janeiro Candido Mendes University, 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 Rio de Janeiro. Mr. Bomeny is the son of José Ricardo Bousquet Bomeny and the brother of Gustavo Figueiredo Bomeny.

Lilianne Bastos de Sá Borges is our Corporate Secretary since 2010. Prior to that date and beginning in 2004, Ms. Borges held different positions with us, including financial manager and investor relation manager. Ms. Borges has also worked for investment banks and brokerage houses that operate in Brazil. Ms. Borges holds a degree in Business Administration from the Federal University of Rio de Janeiro and an MBA in Business Administration from Fundação Getúlio Vargas. She also has completed several courses in finance and corporate governance.

CORPORATE GOVERNANCE, CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Board of Directors Rules of Procedure

Our 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 holds at least four meetings during each year and each of our directors attend all of those meetings, except in unexpected circumstances. The Board of Directors has two standing committees: the Audit Committee and the Human Resources and 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;
- Annually facilitating an assessment of each director's performance without such director's participation in the assessment.

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.

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. Guillermo Hector Pisano, Marcos Bastos Rocha e Lúcio Cesar Montanini. The Audit Committee held four meetings during 2014 and each of its members attend all of these meetings, except for Mr. Montanini that were absent in the meeting held on March 19, 2014.

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.

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.

- Our independent auditing firm is: BDO RCS Auditores Independentes SS.

- Our third-party firms for accounting, reporting and tax declarations are: Morrison, Brown, Argiz & Farra LLP, Certified Public Accountants & Consultants (Brazil Fast Food Corp.), Mazars Brasil (Brazil Fast Food Corp.' subsidiaries excluding Internacional Restaurantes do Brasil) and Adcont Assessoria Contábil (Internacional Restaurantes do Brasil).

Below is biographical information for our Mr. Montanini, member of the Audit Committee.

Lucio Cesar Montanini has served as a member of the Audit Committee since 2008. Mr. Montanini is the associate manager of Montanini Consultoria Empresarial Ltda., a consultancy specializing in tax and corporate structuring, associate in DiCasa Artigos e Design, a house and offices equipment commercial company, and associate in PC Serviços de Informática, a TI service company. From 1978 to 2002, Mr. Montanini worked in the independent auditing firm Arthur Andersen, where he became an associate in 1998. From 2002 to 2007, Mr. Montanini was an associate in the independent auditing firm Deloitte Touch Tohmatsu. Mr. Montanini graduated in accounting from the São Paulo Tabajara University and has an MBA in Audit Controlling.

Human Resources and Compensation Committee

The Human Resources and 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 Human Resources and Compensation Committee is composed of Messrs. Marcos Gouvêa de Souza, Gustavo Alberto Villela Filho and Guillermo Hector Pisano. The Human Resources and Compensation Committee held two meetings during 2014 and each of its members attend all of these meetings.

Certain Relationships and Related Transactions

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.

Family Relationships

There are no familial relationships between our directors, members of our committees and executive officers.

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