2011 Financial Statements

Localiza

LOCALIZA RENT A CAR S.A. CORPORATE TAXPAYER'S ID 16.670.085/0001-55



RENT 3
TOP 5 CONSUMER SECTOR
Exame Magazine

RENT 3
IBOVESPA IBRX-50

"50 for 2015"
Localiza
Morgan Stanley Research

INVESTMENT GRADE
Fitch e Moody's

Localiza rent a car

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EXECUTIVE SUMMARY

1- MANAGEMENT REPORT

Localiza's integrated business platform allows us to achieve greater flexibility and deliver superior performance.

The adoption of our own asset management model, the business scope and the meritocracy system strengthen our leading position, boost our competitiveness and prepare us for continuing growth.

We have been adopting precise strategies in the different economic scenarios and competitive environment.

Since the IPO in 2005, the Car Rental Division revenue increased 3.8 times and the Fleet Rental Division revenue increased 3.2 times. Our fleet grew from 28,699 cars in the end of 2004 to 96,317 cars over a seven-year period. Considering the volume of 12,958 cars of franchisees in Brazil and other South American countries, Localiza's fleet reached 109,275 cars as at December 31, 2011.

The amount of R$415.5 million of free cash flow in 2011, before the fleet growth and interest rate increase, was 7.1 times above that in 2005 (IPO year). In 2011, the return on invested capital was 17.1%. Even with higher interest rates, the spread on the debt cost after taxes was 8.5 p.p..

In 2011, we strengthened cash and preserved the process to extend the debt repayment term, with installments falling due through 2018. Furthermore, we were rated as investment grade by *Moody's* and *Fitch*, which strengthens our competitive advantage in terms of funding.

Localiza employs the highest corporate governance standards in the management of its affairs and its Board of Directors is comprised of professional, committed members with diversified qualification. The Company was acknowledged in 2008 and 2009 as the best company in terms of Corporate Governance by Capital Aberto magazine, and in 2011 it was ranked among the 4 best companies according to "As Melhores da Dinheiro" and was also one of the winners of the Troféu Transparência award for the excellence of its financial statements.

Our relationship with our investors and stakeholders has been one of utmost transparency.

Market expects a growth in the GDP throughout 2012. The macroeconomic conditions expected by the market are favorable, and the Central Bank has announced projected interest rates of one digit. The Company's growth elasticity over the last years was 5.8 times the GDP from 2005 to 2011.

In 2012 we were included in the Bovespa index. Our daily liquidity has been growing from a daily average of R$23.2 million in 2011 to approximately R$30.0 million in January 2012.

RENT3 was one of the two Brazilian picks among the 50 best stocks in the world in the opinion of *Morgan Stanley* in the "50 for 2015" report. *Citibank* also picked RENT3 as one of the top five Brazilian stocks for 2012 in the *BRIC Breakout* report. And *Exame* magazine, January 2012 issue, in the article "Where to invest in 2012" picked Localiza as one among the five best companies in the consumer industry.

Our commitment to investors only grows on account of these and the 12 other investment recommendations made by sell-side analysts.

We are positive and dedicated to continue to grow profitably.

The management

2 – MACROECONOMIC SCENARIO

The macroeconomic scenario for 2011 was characterized by the economic slowdown owing to restraining policies to curb inflation, including macroprudential measures, interest rate increases and government spending cutback. This slowdown is coupled with the aggravation of the global economic scenario, in particular the decline in the projected growth of the main global economies, mainly with respect to i) the economic deceleration in China; ii) the modest growth of the US economy; and iii) the economic and financial weakness of Europe.

Under this scenario, it was possible to observe in Brazil in 2011:

a) an increase in the interest rate through August to curb inflation and, beginning September, gradual reduction to stimulate the economy;

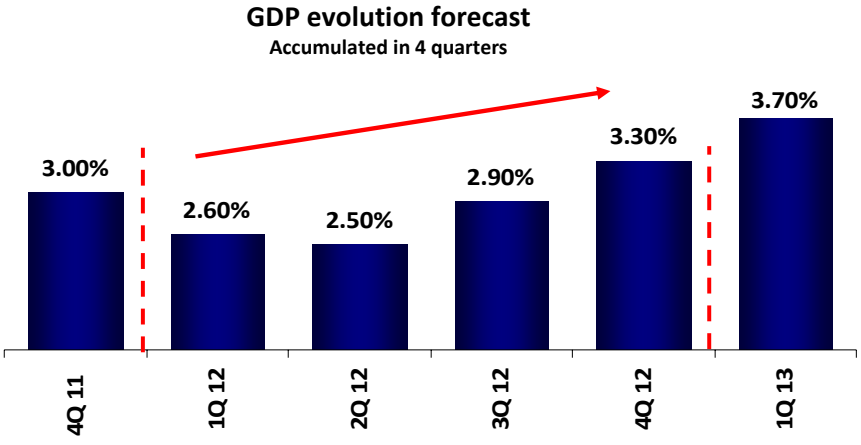
b) requirement of a higher down payment to approve car financing, by means of macroprudential measures that were cancelled only at the end of the year;

c) consequently, it was possible to identify a drop in the level of economic activity over the year, which reduced the preliminary expected Brazilian GDP growth from 4.5% to 2.7%; and

d) high inflation level with a tendency of dropping by the end of the year, reaching the maximum inflation target of 6.5%.

Brazil in 2012:

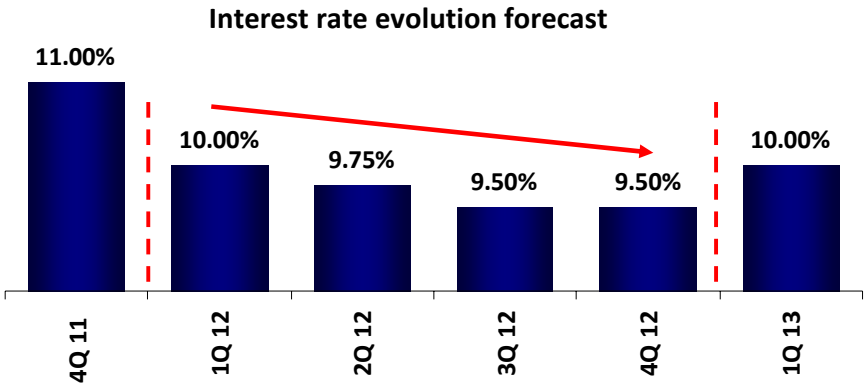
The market players expect the Brazilian government to sustain a GDP above 3% mainly supported by the domestic demand and the projected investment volume. Economic activity is expected to grow in the second half, as shown in the chart below:



Source: BR Central Bank – Market forecast system as at 02/10/2012 and Focus Bulletin

Furthermore, the 2011 restraining economic policy is expected to change by applying new cuts to interest rates and raising the minimum wage and industry incentives, whose measures are intended to be adopted by the Brazilian government in a way to promote investments. However, in spite of the cancellation of macroprudential measures, the current conditions in terms of stricter policies for the financing of new or used cars should be maintained by the banks, regardless of the trend of drop in default levels. On the other hand, it is possible to identify an improvement in the beginning of 2012 in the Consumer Confidence Index of the Fundação Getúlio Vargas (CCI/FGV) promoted by the confidence about the economic condition and satisfaction of consumers over family income.

The chart below shows the expected fluctuation of the interest rate for 2012:

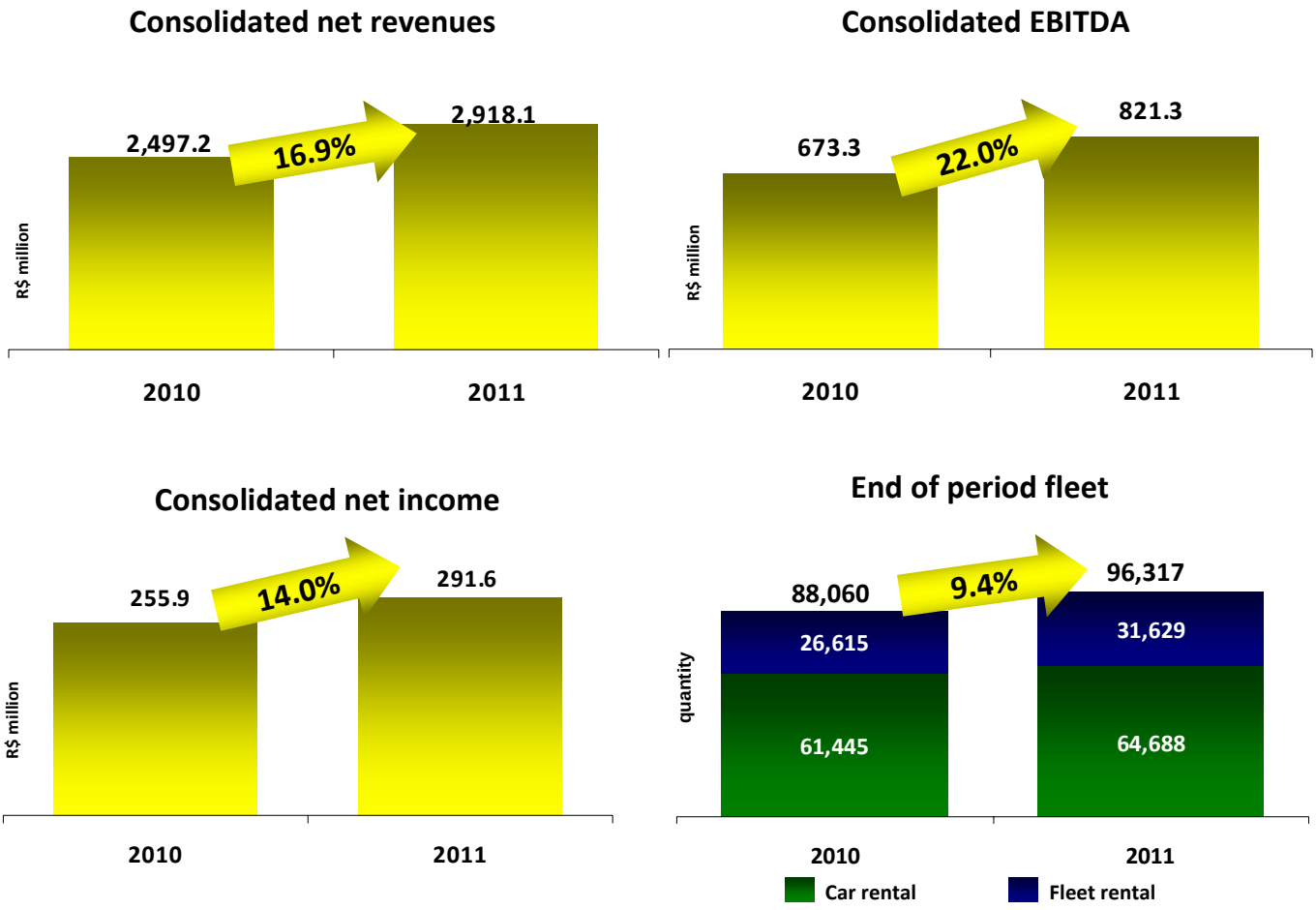


Source: BR Central Bank – Market forecast system as at 01/20/2012 and Focus Bulletin

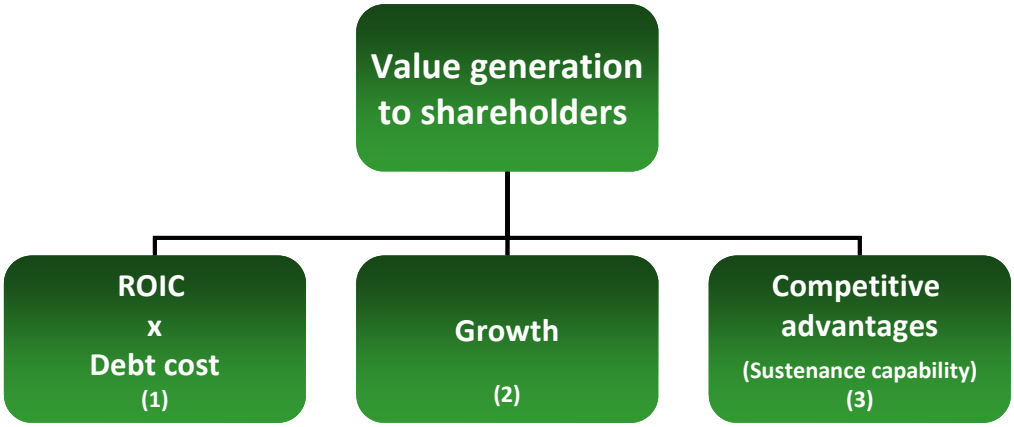
Market estimates for 2012 (Focus – Market Report dated 02/10/2012 by the Central Bank of Brazil) forecasts:

- Growth of 3.3% in GDP;
- Average benchmark interest rate of 9.7%;
- An inflation rate of 5.3% (IPCA); and
- Interest rate of 9.5% by the end of 2012.

3 - 2011 HIGHLIGHTS – IN IFRS

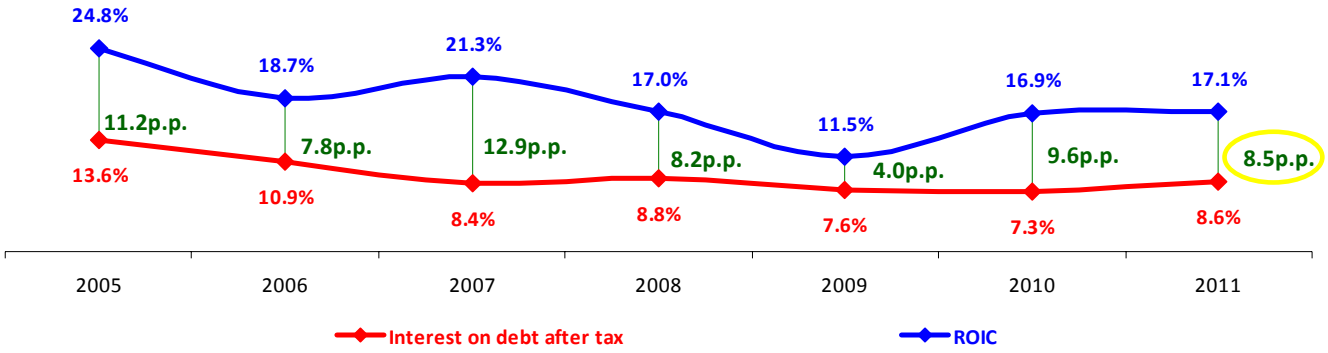


4 – VALUE GENERATION TO LOCALIZA'S SHAREHOLDERS



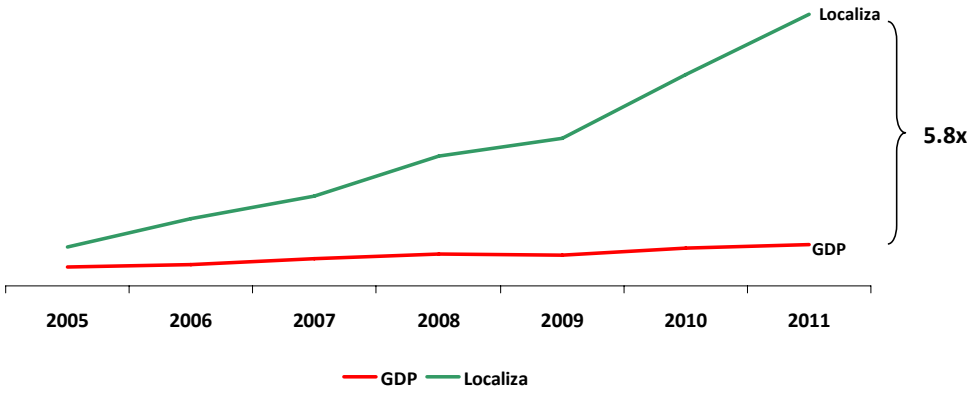
1) Return on Invested Capital (ROIC) x Cost of Debt: spread of 8.5p.p. on the return on the invested capital above the cost of debt after taxes in 2011.

Spread



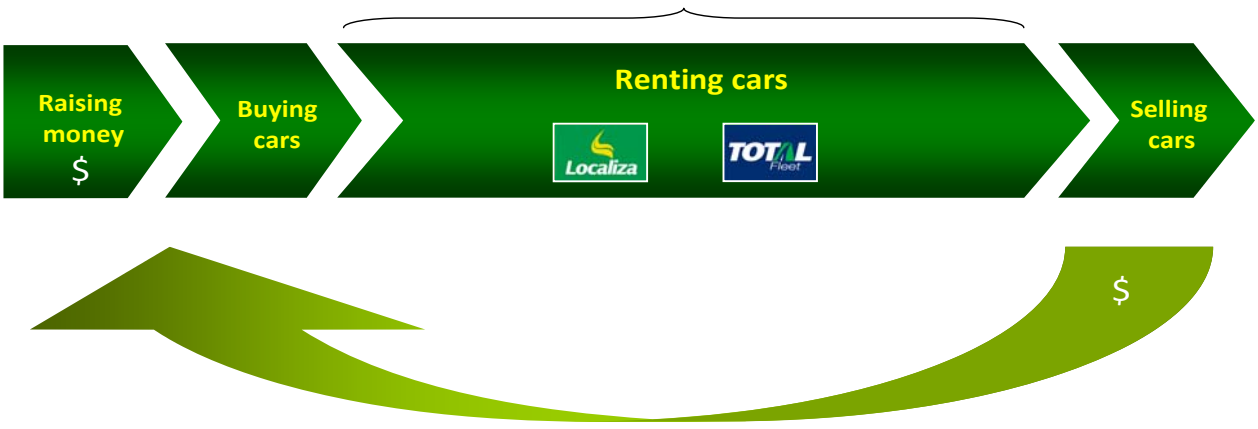
2) Growth: elasticity of 8.7 times the growth of rental revenues (23.4%) compared to the 2011 GDP of 2.7%. The elasticity was 5.8 times over the last six years.

Rental revenues growth elasticity x GDP



3) Localiza's competitive strengths: the competitive strengths in each stage of the process allow the Company to grow profitably on a sustainable manner.

Profitability comes from rental divisions



Cash to renew the fleet or pay debt

38 years of experience in managing assets

Localiza's competitive advantages:

i) Funding

The Company's ratings are the most excellent in the industry which enables it to raise funds under better conditions, both in terms of deadlines and costs.

ii) Car purchase

The Company's size enables it to obtain better purchasing conditions from the major car makers headquartered in Brazil and acquire those least depreciable car models.

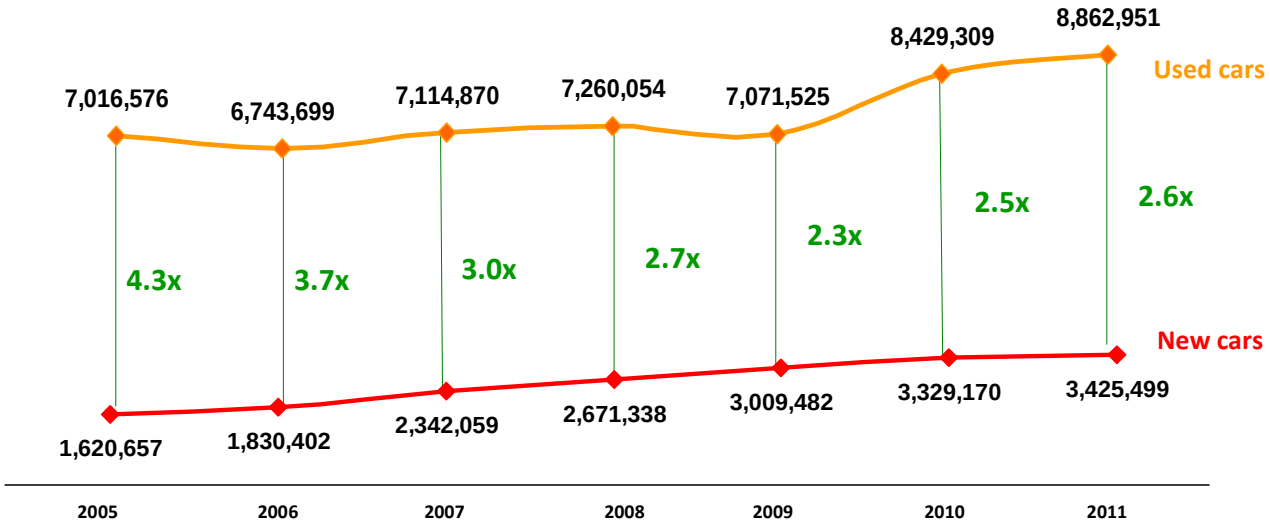
iii) Car and fleet rental

The Localiza brand, the network size, its penetration with major companies and pricing model allow the Company to charge prices that provide a return on the invested capital by about 8.5p.p. above the cost of debt, after taxes.

iv) Sale of decommissioned cars for fleet renewal after being used in rental activities

The sale of decommissioned cars directly to consumers maximizes the sales price and reduces depreciation costs. In Brazil the used car market is 2.6 times bigger than the new car market and the 50,772 cars sold by the Company in 2011 account for 0.6% market share only.

New cars X used cars



Source: FENABRAVE (Autos + light commercial)

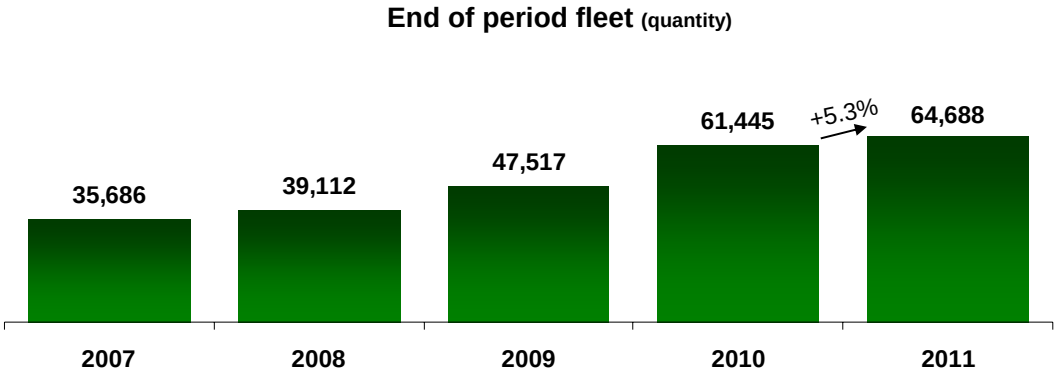
5 - BUSINESS OVERVIEW

The Company is the biggest car rental company in South America in terms of number of branches with 496 car rental branches present in eight countries, of which 247 are operated by Localiza and 249 by franchisees. As at December 31, 2011, the Integrated Business Platform's fleet was comprised of 109,275 cars, of which 96,317 own cars and 12,958 franchisees' cars. Localiza's database contains 2.8 million customers, with a satisfaction level of 96.5%. The car rental branches are located in Brazil, Argentina, Bolivia, Colombia, Ecuador, Paraguay, Peru and Uruguay. In December 2011, a new franchise agreement was signed for operation in Chile. According to the ABLA – Brazilian Car Rental Companies' Association, the car rental market in Brazil is comprised of about 2,000 different-sized companies, of which some operate under international brands.

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

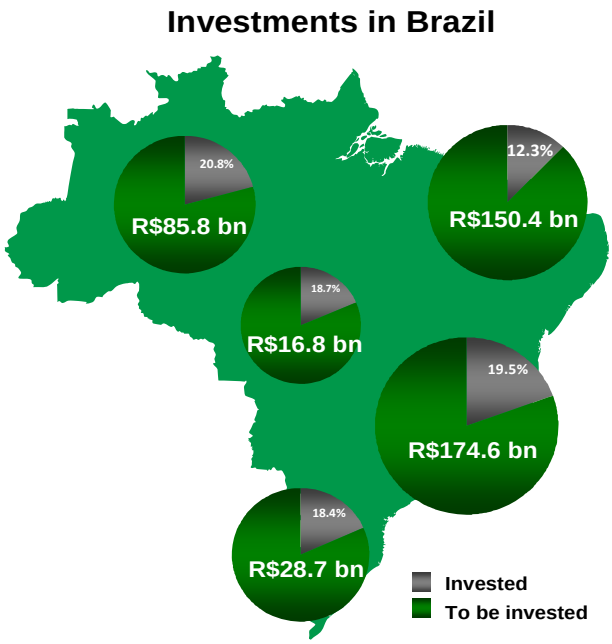
***Car Rental*:** the Company rents cars through its branches operating inside and outside airports. Cars are rented by legal entities and individuals in business and entertainment trips to meet their car rental needs outside their places of residence, as well as by insurance companies and car makers that offer substitute vehicles to their customers in case of losses or mechanical repairs during the insurance or warranty term, respectively. The fleet of the Car Rental Division consists mainly of flex-fuel compact cars, which is in line with the demand from consumers and production by car makers in Brazil. Owing to the constant need to renovate the fleet, Localiza sells cars after they are used for 12 months. The major portion of the used cars is sold directly to end consumers in places that are ready for such sale in order to avoid intermediation costs on the sale of used cars. The Company's objective is to maximize the recoverable amount of the asset by reducing the depreciation of cars and cash outflow for fleet renewal as selling expenses are lower than the discounts requested by car dealers.

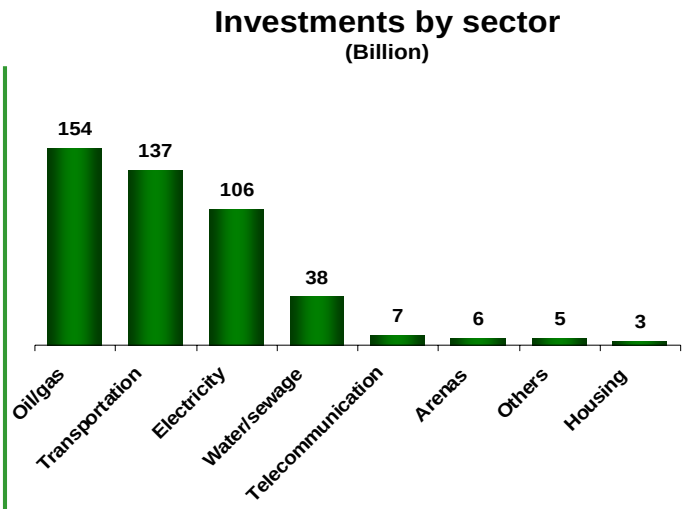
As at December 31, 2011, the fleet of the Car Rental Division was comprised of 64,688 cars, representing an increase of 5.3% compared to 61,445 cars as at December 31, 2010. The chart below shows the changes in the Company's fleet over the last five years:



Main car rental growth opportunities:

a) Investments

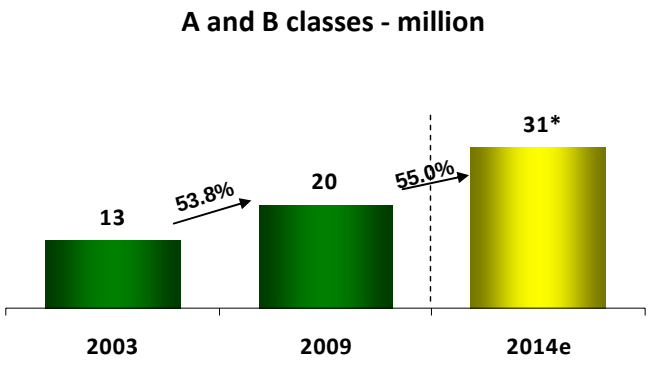


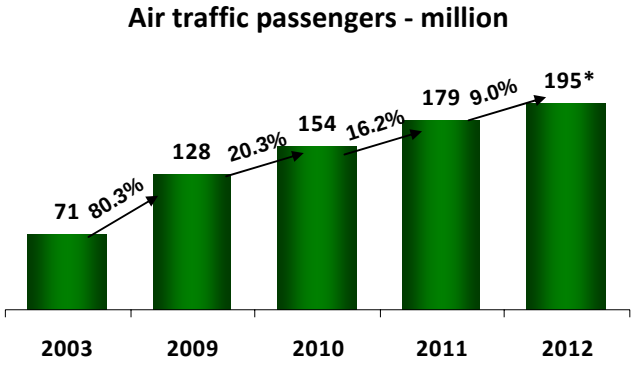


R$456 bn to be invested.

Source: EXAME yearbook, 2011-2012

b) Consumption



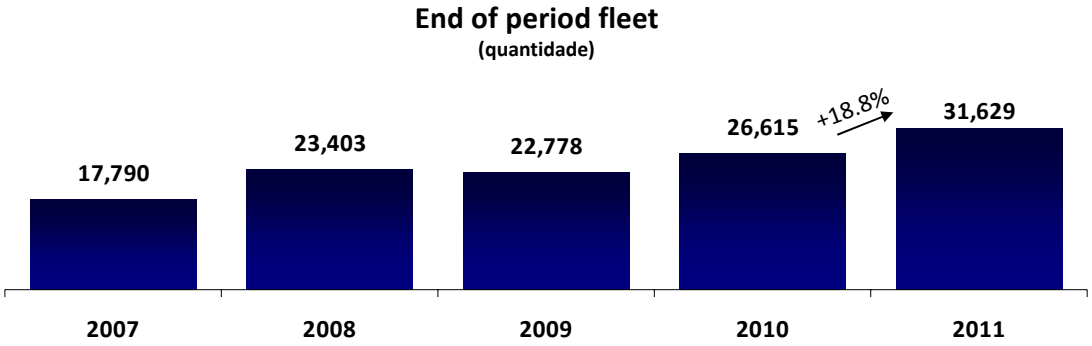


* estimated

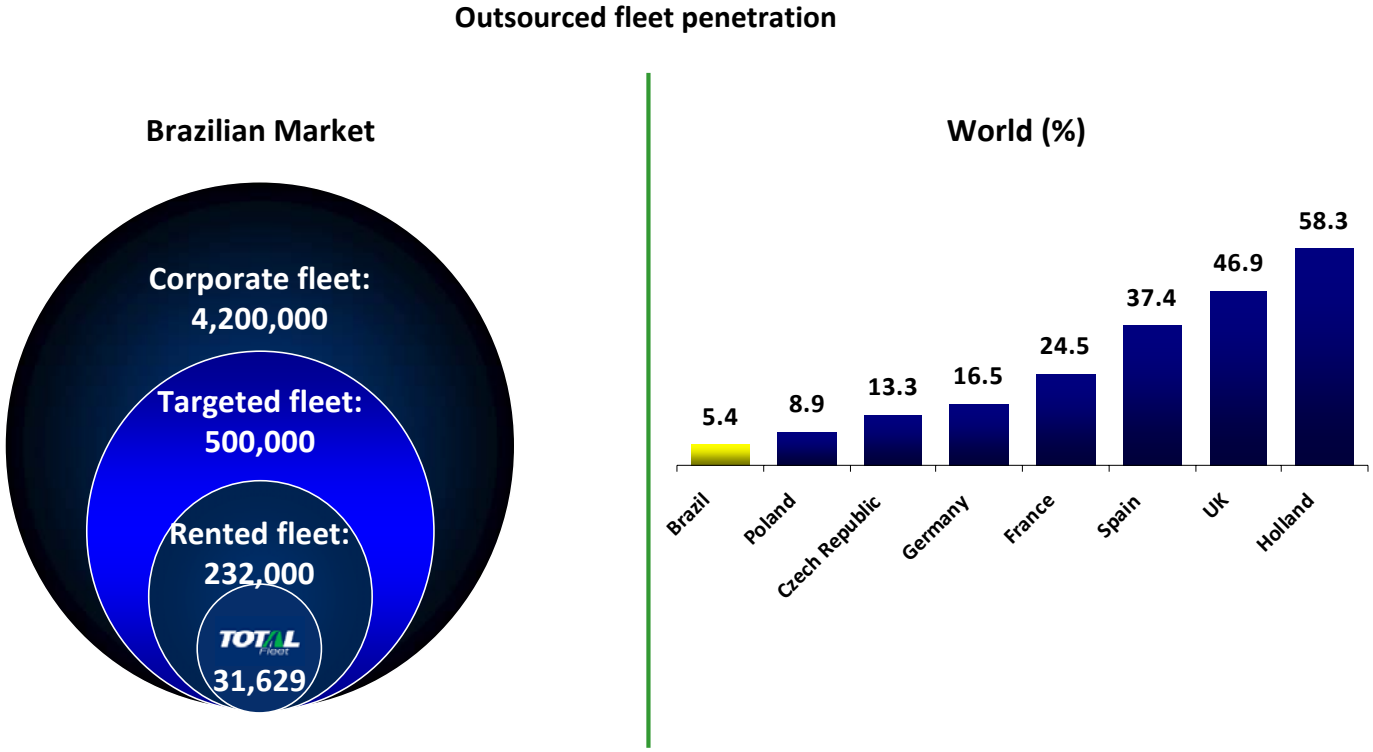
Strong domestic drivers leads to higher volumes.

Source: Infraero, Gol, TAM, Abecs and Exame (Dec/2011)

Fleet Rental: the Fleet Rental Division, through its subsidiary Total Fleet, rents cars under long-term agreements (generally 24 or 36 months) to legal entities. The division fleet is adapted to the customers' needs and requests and, for that reason, its cars are more diversified in terms of model, color and brand than the fleet of the Car Rental Division. At the end of the terms of the rental agreements entered into with customers, Total Fleet sells part of the cars used in the fleet rental directly to end consumers and a part to car dealers. The chart below shows the changes in the Company's fleet over the last five years:



Main fleet rental growth opportunities



Source: ABLA and Datamonitor

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

6 – CONSOLIDATED INCOME ANALYSIS

The income statement below has been prepared in accordance with the International Financial Reporting Standards (IFRS).

	Year ended December 31,				Variation 2010 x 2011
	2010		2011		
	In R$ million	% of Net Revenue	In R$ million	% of Net Revenue	%
Net Revenue:					
Car Rental	1,903.4	*76.2*	2,221.8	*76.1*	16.7
Fleet Rental	581.7	*23.3*	682.0	*23.4*	17.2
Franchising	12.1	*0.5*	14.3	*0.5*	18.2
Total Net Revenue	***2,497.2***	***100,0***	***2,918.1***	***100.0***	***16.9***
Costs:					
Car Rental	(1,375.7)	*-55.1*	(1,578.2)	*-54.1*	14.7
Fleet Rental	(372.2)	*-14.9*	(430.1)	*-14.7*	15.6
Franchising	(5.5)	*-0.2*	(6.9)	*-0.3*	25.5
Total Costs	***(1,753.4)***	***-70.2***	***(2,015.2)***	***-69.1***	***14.9***
Gross Profit	**743.8**	***29.8***	**902.9**	***30.9***	**21.4**
Operating Expenses (SG&A):					
Advertising and selling	(174.2)	*-7.0*	(224.4)	*-7.7*	28.8
General, administrative and other	(79.3)	*-3.2*	(82.8)	*-2.8*	4.4
Total Operating Expenses (SG&A)	**(253.5)**	***-10.2***	**(307.2)**	***-10.5***	**21.2**
Income before financial income and expenses	**490.3**	***19.6***	**595.7**	***20.4***	**21.5**
Financial expenses, net	(130.1)	*-5.2*	(179.0)	*-6.1*	37.6
Income before income tax and social contribution	**360.2**	***14.4***	**416.7**	***14.3***	**15.7**
Income tax and social contribution	(104.3)	*-4.2*	(125.1)	*-4.3*	19.9
Net income	**255.9**	***10.2***	**291.6**	***10.0***	**14.0**

The analysis of the changes in the main captions of the Company's consolidated income in 2010 and 2011 is as follows:

Net Revenues:

The Company's total net revenue is comprised of the revenues from the following divisions: (i) car rental, (ii) fleet rental and (iii) franchising. As part of its fleet renewal programs, the car and fleet rental divisions sell their decommissioned cars. The net revenue from the sale of used cars comprises the balance of the net revenue from these divisions, as described in the table above.

The Company´s total consolidated net revenues increased 16.9%, a growth by $420.9 million, from R$2,497.2 million in 2010 to R$2,918.1 million in 2011. The main factors that contributed to the growth in net revenues are as follows:

- *Car Rental:* 16.7% growth in the net revenues from the Car Rental Division on account of the growth in: i) revenues from rentals by 22.3%, from R$802.2 million in 2010 to R$980.7 million in 2011, due to the 19.2% growth in the volume of daily rental and 2.1% in the average rental fee; and ii) revenues from

the sale of decommissioned cars for fleet renewal by 12.7%, from R$1,101.1 million in 2010 to R$1,241.1 million in 2011, due to the 8.0% growth in the number of cars sold for fleet renewal and 1.9% in the average price of cars sold.

- *Fleet Rental:* 17.2% growth in the net revenues from the Fleet Rental Division on account of the growth in: i) revenues from rentals by 26.0%, from R$361.1 million in 2010 to R$455.0 million in 2011, due to the 19.4% growth in the volume of daily rental fees and 5.5% in the average rental fee; and ii) revenues from the sale of decommissioned cars for fleet renewal by 2.8%, from R$220.8 million in 2010 to R$227.0 million in 2011, due to the 4.0% growth in the number of cars sold for fleet renewal and 1.9% in the average price of cars sold.

Costs:

Our consolidated costs increased 14.9%, from R$1,753.4 million in 2010 to R$2,015.2 million in 2011. As a percentage of consolidated net sales, costs decreased 1.1p.p., from 70.2% in 2010 to 69.1% in 2011.

The 14.9% fluctuation in consolidated costs was basically due to:

- *Car rental*: 14.7% growth in the Division's costs arising mainly from:

  i) 19.5% growth in the average operational fleet, from 42,903 cars in 2010 to 51,285 cars in 2011;

  ii) Expansion of the network of branches operated by Localiza, from 234 in 2010 to 247 in 2011, in addition to the adjustment of rental amounts of the branches that was substantially above inflation;

  iii) Growth in the number of employees, from 4,533 in 2010 to 5,304 in 2011, in addition to the salary adjustment of about 7% in 2011; and

  iv) 8.0% growth in the number of cars sold for fleet renewal, from 39,658 cars in 2010 to 42,843 cars in 2011.

  As a percentage of the revenue from car rental, costs dropped from 72.3% in 2010 to 71.0% in 2011.

- *Fleet rental*: 15.6% growth in the Division's costs arising mainly from:

  i) 21.6% growth in the average operational fleet;

  ii) 13.6% growth in the average depreciation per car;

  iii) 2.7% growth in the costs of cars sold for fleet renewal, on account of the 4.0% growth in the number of cars sold, from 7,627 cars in 2010 to 7,929 cars in 2011.

  As a percentage of the revenue from fleet rental, costs dropped from 64.0% in 2010 to 63.1% in 2011.

Operating Expenses (SG&A):

Total consolidated operating expenses (*SG&A*) increased 21.2%, from R$253.5 million in 2010 to R$307.2 million in 2011. Such growth was due to the: i) 28.8% growth in advertising and selling expenses, from R$174.2 million in 2010 to R$224.4 million in 2011, on account of the higher expenditures incurred with advertising for the sale of decommissioned cars for fleet renewal, and the rental amount of new stores, which has been increasing substantially above inflation; and ii) 4.4% growth in general, administrative and other expenses, from R$79.3 million in 2010 to R$82.8 million in 2011.

As a percentage of net revenues, consolidated operating expenses remained almost unchanged, accounting for 10.2% in 2010 and 10.5% in 2011.

Financial expenses, net:

Financial expenses, net increased 37.6%, mainly due to:

i) 21.8% growth in average net debt; and

ii) 1.9p.p. growth in the benchmark interest rate, from 9.7% in 2010 to 11.6% in 2011.

Income tax and social contribution:

Income tax and social contribution expenses increased 19.9%, mainly because of the increase of 15.7% in the net income before income tax and social contribution. The effective income tax and social contribution rates increased slightly, from 29.0% in 2010 to 30.0% in 2011.

Net income:

The 14.0% increase in the net income corresponding to R$35.7 million, from R$255.9 million in 2010 to R$291.6 million in 2011, was lower than the growth in revenues of 16.9% basically on account of the increase in financial expenses, net, as described above.

EBITDA:

The reconciliation of net income and EBITDA is as follows:

	In R$ million 2011
Net Income	**291.6**
Cars and other depreciation	225.6
Financial expenses, net	179.0
Income tax and social contribution	125.1
EBITDA	**821.3**

7 – CONSOLIDATED BALANCE SHEET ANALYSIS

The Balance Sheet below has been prepared in accordance with the International Financial Reporting Standards - IFRS.

	As at December 31				Variation 2010 x 2011
	2010		2011		
	In R$ million	% of Total Assets	In R$ million	% of Total Assets	%
ASSETS					
Current assets					
Cash and cash equivalents	415.7	12.4	711.0	17.7	71.0
Trade accounts receivable	274.8	8.2	353.4	8.8	28.6
Other current assets	40.8	1.2	54.2	1.4	32.8
	731.3	21.8	1,118.6	27.9	53.0
Decommissioning cars for fleet renewal	20.1	0.6	29.0	0.7	44.3
Total current assets	**751.4**	**22.4**	**1,147.6**	**28.6**	**52.7**
Noncurrent assets					
Long-term assets:	48.9	1.5	44.9	1.1	-8.2
Property and equipment					
Cars	2,427.3	72.4	2,652.7	66.2	9.3
Other property and equipment	114.9	3.4	141.6	3.5	23.2
Intangible assets	12.2	0.3	22.8	0.6	86.9
Total noncurrent assets	**2,603.3**	**77.6**	**2,862.0**	**71.4**	**9.9**
TOTAL ASSETS	**3,354.7**	**100.0**	**4,009.6**	**100.0**	**19.5**

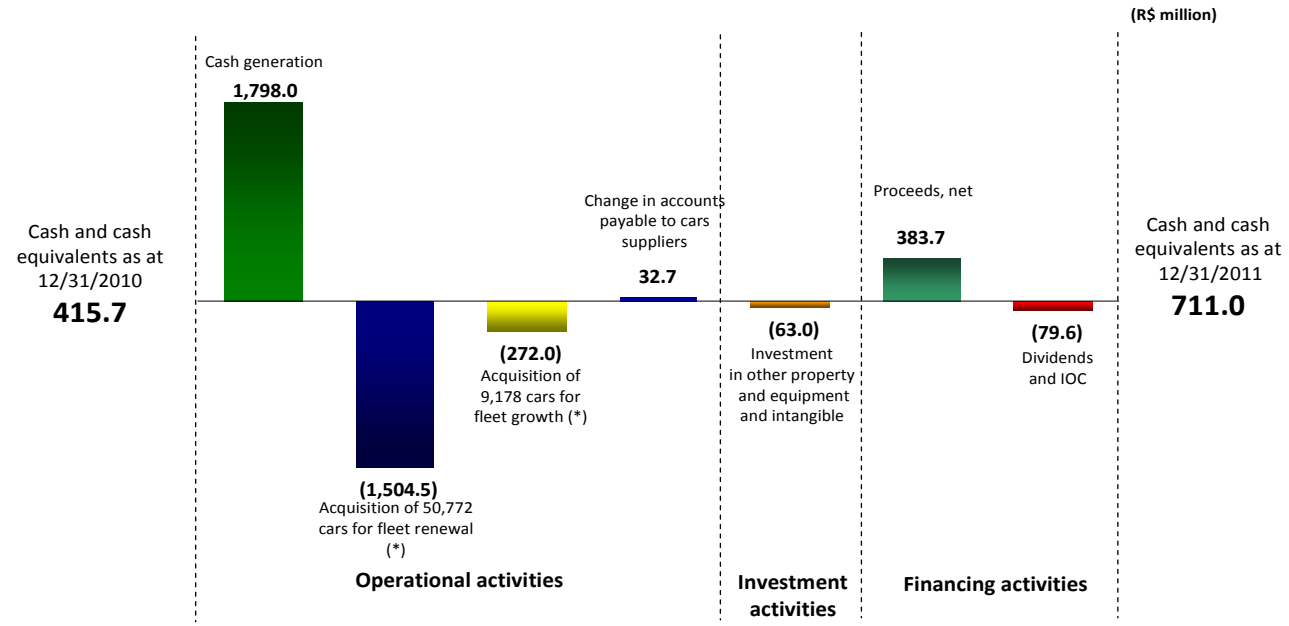
	As at December 31				Variation 2010 x 2011
	2010		2011		
	In R$ million	% of Total Liabilities	In R$ million	% of Total Liabilities	%
LIABILITIES AND SHAREHOLDER´S EQUITY					
Current liabilities					
Trade accounts payable	443.0	13.2	488.7	12.2	10.3
Social and Labor obligations	58.0	1.7	58.7	1.4	1.2
Loans, financing and debentures	233.7	7.0	130.9	3.3	-44.0
Other	99.0	3.0	115.5	2.9	16.7
Total Current Liabilities	**833.7**	**24.9**	**793.8**	**19.8**	**-4.8**
Noncurrent liabilities					
Loans, financing and debentures	1,463.1	43.6	1,943.5	48.5	32.8
Other noncurrent liabilities	159.2	4.7	151.7	3.8	-4.7
Total noncurrent liabilities	**1,622.3**	**48.4**	**2,095.2**	**52.3**	**29.1**
Total liabilities	**2,456.0**	**73.2**	**2,889.0**	**72.1**	**17.6**
Shareholders' equity	**898.7**	**26.8**	**1,120.6**	**27.9**	**24.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,354.7**	**100.0**	**4,009.6**	**100.0**	**19.5**

Below are the main balance sheet accounts that presented significant changes:

Assets:

Cash and cash equivalents: cash and cash equivalents totaled R$711.0 million as at December 31, 2011, representing 17.7% of total assets and posted a growth by 71.0% compared to the balance of R$415.7 million as at December 31, 2010, which represented 12.4% of total assets as at that year.

Cash was increased at the end of the year for any potential adverse foreign scenario in 2012.



(*) Renewal: cars purchased as replacement for those decommissioned and sold;
Increase: car purchases greater than car sales.

Trade accounts receivable: Trade accounts receivable grew by 28.6% in 2011 compared to 2010, basically on account of: i) a 20.5% growth in the revenues from the Car Rental Division in December 2011 compared to December 2010. Such growth resulted from the rising demand for car rental, which increased by 22.8% the balance receivable from this division as at December 31, 2011 compared to December 31, 2010; and ii) the maturities of trade accounts receivable from the Fleet Rental Division that were concentrated on the 30 of each month. Since December 30, 2011 was a bank holiday, trade accounts receivable falling due on that date were only settled in January 2012, which resulted in an increase in the balance of trade accounts receivable from such division as at December 31, 2011 compared to December 31, 2010.

As a percentage of total assets as at December 31, 2011, the trade accounts receivable showed a slight increase of 0.6 p.p., from 8.2% in 2010 to 8.8% in 2011. As at December 31, 2011 and 2010, the breakdown of trade accounts receivable is as follows:

R$/million	**Consolidated**	
	2010	**2011**
Car Rental	236.2	290.1
Fleet Rental	40.5	68.2
Franchising	7.7	7.4
	284.4	365.7
Allowance for doubtful accounts	(9.6)	(12.3)
Total	**274.8**	**353.4**

As a percentage of trade accounts receivable, the balance of the allowance for doubtful accounts remained stable at approximately 3.4%. In 2011 the allowance for doubtful accounts accounted for 0.2% of net revenues.

Property and equipment- Cars: the fleet amount, including cars to be decommissioned for renewal, totaled R$2,681.7 million as at December 31, 2011, accounting for 66.9% of total assets, a 9.6% growth compared to the balance of R$2,447.4 million as at December 31, 2010, which accounted for 73.0% of total assets as at that date. The growth was basically due to the 9.4% growth in the fleet on the reporting period, from 88,060 cars as at December 31, 2010 to 96,317 cars as at December 31, 2011.

Liabilities and Shareholders' Equity:

Loans, financing and debentures: loans, financing and debentures (current and noncurrent) totaled R$2,074.4 million as at December 31, 2011, representing 51.7% of total liabilities and shareholders' equity, posting a 22.3% growth compared to the balance of R$1,696.8 million as at December 31, 2010, which accounted for 50.6% of total liabilities and shareholders' equity as at that date. The increase of R$377.6 million in loans, financing and debentures is due to the net funding of R$383.7 million in 2011, whose funds were used to increase the Company's cash for a potential adverse foreign scenario.

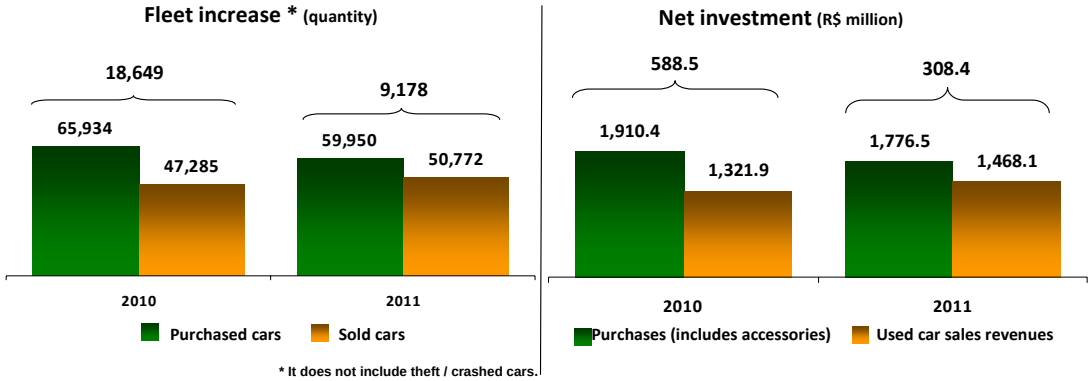
Trade accounts payable: the amount of trade accounts payable totaled R$488.7 million as at December 31, 2011, representing 12.2% of total liabilities and shareholders' equity, posting an increase of 10.3% in relation to R$443.0 million as at December 31, 2010, representing 13.2% of total liabilities and shareholders' equity as at that date. This growth is due mainly to the increase in trade accounts payable to car makers, from R$372.6 million as at December 31, 2010 to R$405.3 million as at December 31, 2011.

Shareholders' Equity: in relation to total liabilities and shareholders' equity, the shareholders' equity increased from 26.8% in 2010 to 27.9% in 2011. The increase of R$221.9 million was basically due to the net income in 2011, in the amount of R$291.6 million, which was partially offset by the distribution of R$76.8 million in dividends and interest on capital to shareholders.

8 – FLEET INVESTMENTS

As at December 31, 2011, the consolidated fleet from Localiza consisted of 96,317 own cars, including 31,629 cars from the Fleet Rental Division. After being used in rental activities, cars are mostly sold to the end consumer through the 66 points of sale of decommissioned cars, located in 37 cities throughout Brazil.

In 2011 the Company increased its fleet by 9,178 cars, which corresponds to a net investment of R$308.4 million.



Localiza's policy to invest in its fleet provides for negotiations on an annual basis with the car makers in connection with a intention of purchase for a period of one and half year, in order to allow greater flexibility. In August 2011, Localiza announced its intent to purchase 100,000 cars, mainly for fleet renewal, in the normal course of activities throughout the second half of 2011 and 2012. Of the cars to be purchased, 90,000 would be allocated to Localiza and Total Fleet and 10,000 to franchisees.

In the second half of 2011, 31,283 cars were purchased, and there were 58,700 cars to be purchased in 2012. In 2012, in the normal course of activities, the Company estimates renew 57,000 cars of the Car Rental Division (September/11 fleet) and 10,000 cars of the Fleet Rental Division (one third of the fleet). Therefore, 67,000 cars can be purchased in 2012 for fleet renewal only, not including the acquisitions necessary to expand the fleet.

As usual, the annual negotiation with car makers should define the intention of purchase for the second half of 2012 and 2013.

9 - TAXES

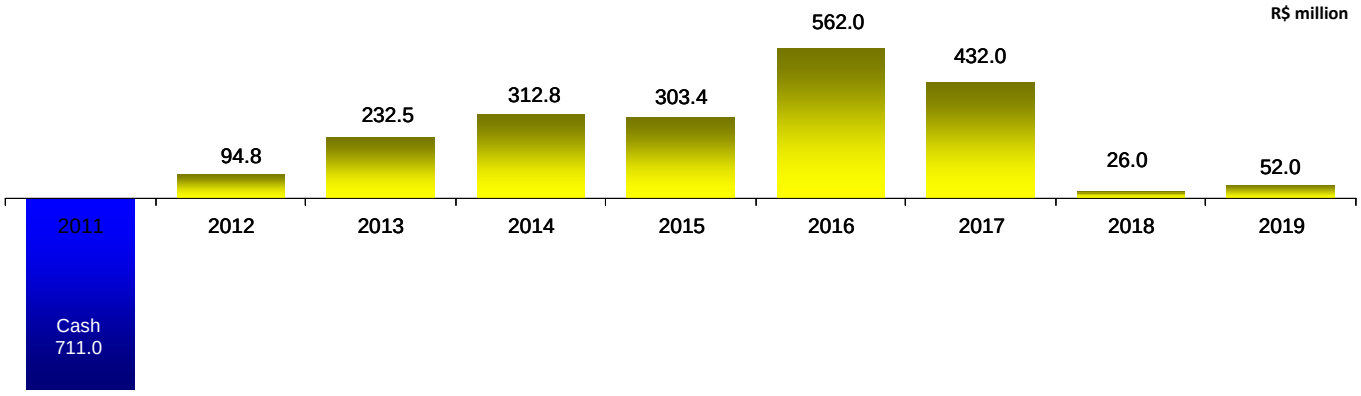
Consolidated expenses on taxes, contributions and emoluments in 2011, net of tax credits, amounted to R$276.0 million, of which: i) R$227.7 million in federal taxes; ii) R$40.6 million in state taxes; and iii) R$7.7 million in municipal taxes.

In addition, in 2011 the total ICMS paid by the Company, included in the car sales price accounted for in property and equipment, amounted to R$213,0 million. Considering that the Company is the end consumer, no ICMS credit was recognized.

10 - INDEBTEDNESS

a) Debt Profile (principal)

The chart below summarizes the Company's debt (principal) amortization schedule and the cash position as at December 31, 2011. Management believes that the Company has a comfortable debt profile in line with the business cycle:

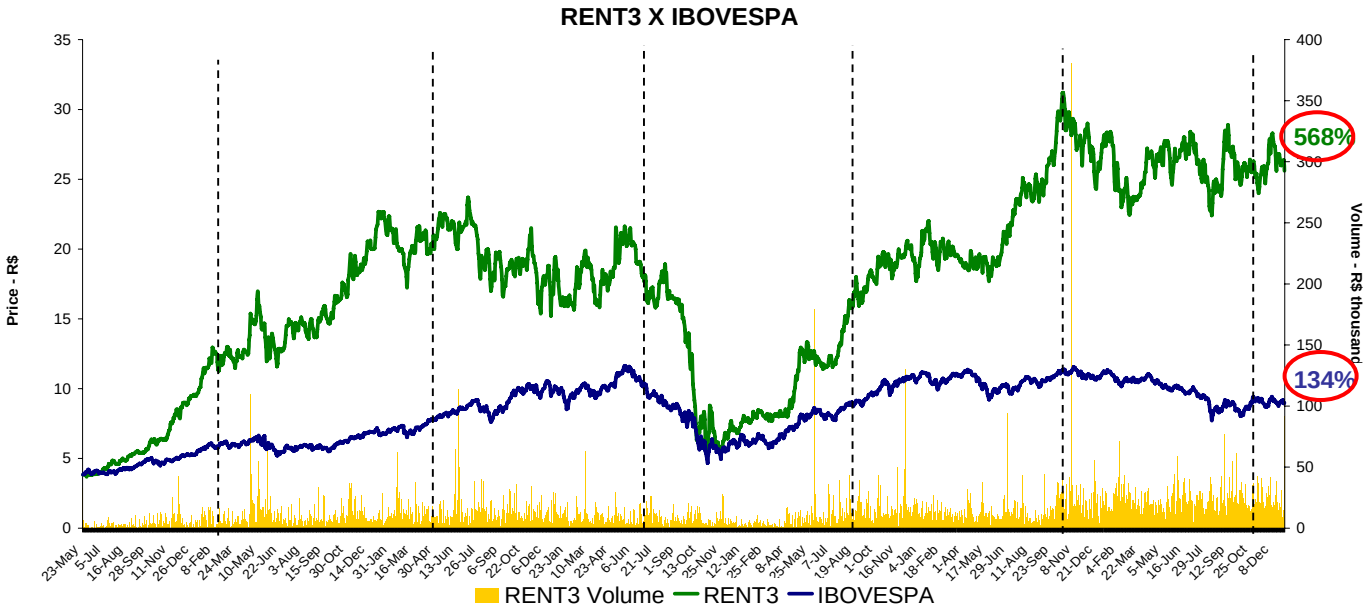


b) The main funding and repayments of loans, financing and debentures in 2011 are summarized below:

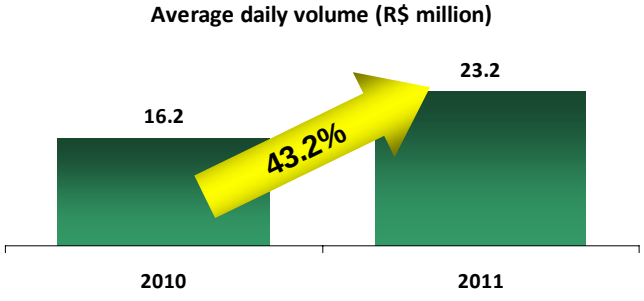
Date	*Company*	*Operation*	*Type*	*Principal amount (in R$ million)*
May	Localiza	Funding	Debentures – 5th issuance	500.0
June	Total Fleet	Repayment	Commercial Credit Note	(86.0)
June	Localiza	Repayment	Promissory Notes	(200.0)
September	Localiza	Funding	Bank Credit Notes	30.0
November	Localiza	Funding	Foreign Currency	123.0
December	Total Fleet	Funding	Commercial Credit Note	130.0
December	Total Fleet	Repayment	Debenture – 1st issuance	(100.0)

11 – CAPITAL MARKETS

On December 29, 2011, last trading day in 2011, RENT3 price reached R$25.60 (R$26.90 on December 30, 2010), resulting in a drop by 4.8% in the year while Ibovespa decreased 18.1% in 2011. Since the beginning of trading in May 2005, RENT3 appreciated 568% compared to an appreciation of 134% of the Bovespa index.



On December 15, 2011, the Board of Directors approved the launching of the Company's Level I American Depositary Receipts (ADRs) Program ("ADR Program"), without the issuance of new shares.



Localiza's shares (RENT3) were included in the theoretical portfolio of the Bovespa index (Ibovespa) and IBrX-50 from January to April 2012, accounting for 0.595% and 0.428%, respectively. The Company inclusion in the indices shows the confidence and recognition achieved by Localiza from domestic and foreign investors and allows a growing liquidity of RENT3.

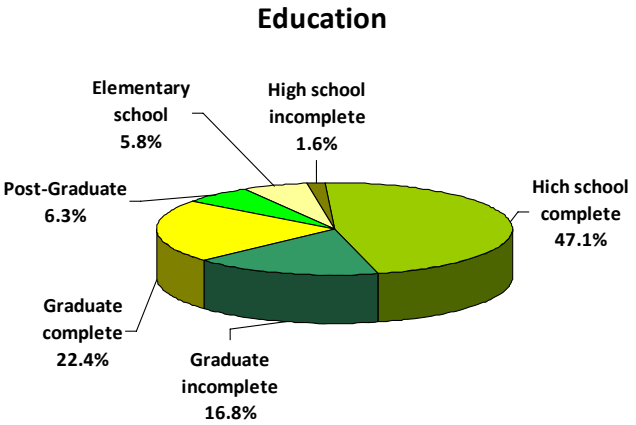
Localiza is considered as *investment grade* by Fitch Ratings and Moody's, two of the main risk rating agencies in the market, as shown below:

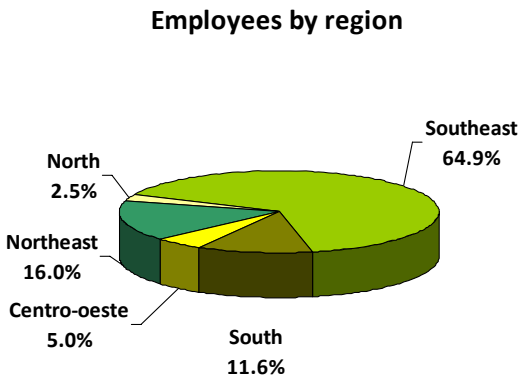
Rating agency	Global rating	Domestic rating (Brazil)
Fitch Ratings	BBB- / Stable	AA+(bra) / Stable
Moody's	Baa3 / Stable	Aa1.br / Stable
Standard & Poors'	BB+ / Stable	brAA / Stable

12 – PERSONNEL MANAGEMENT

Localiza acknowledges and appreciates its personnel. Our work has been performed based on competitive compensation, appreciation of the employees' initiative, career opportunities, benefits and professional training in order to retain talents.

Staff increased from 4,533 in 2010 to 5,304 in 2011. The profile of the Company's employees, segregated by level of education and geographical region, is as follows:





Benefits and Development

The Company conducts salary and wage surveys on an ongoing basis so as to ensure motivation and satisfaction among staff in its business platform. The goal of such surveys is to determine remuneration competitiveness relative to the market and improve the relevant corporate policies from time to time.

Promotions, internal employee leverage and development are highlights of Localiza's initiatives to support growth. In 2011, 382 employees were promoted, which figure represents 8.5% increase year-on-year. The Company invested R$6.6 million in training courses, totaling 142,273 hours or about 29 hours on average by employee.

Essentially, our compensation system is built around the concept of individual merit, with a benefit package comprising health and dental insurance plus meal vouchers.

In 2007 Localiza launched its second stock option plan, which in turn was split into 5 individual and annual programs which reaches 4,500,000 options. This plan has vesting periods before exercise of call options ranging from 3 to 11 years. The 2007, 2008, 2009, 2010 and 2011 programs covered 467 employees as of December 31, 2011.

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

The Extraordinary Shareholders' Meeting held on April 25, 2011 approved the implementation of the Company's Third Stock Option Plan. The Plan consists of the granting of Stock Options (RENT3) to officers, directors and senior management.

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

HR Policies and Practices

The competence model was implemented in 2011 to establish the behavior necessary to support the Company's future growth. The model is comprised of four aspects: relationship, excellence, diligence and leadership, which are subdivided into 10 competencies (8 for all employees and 2 for management personnel only).

Localiza continues to operate with satisfactory stability in its supervision, managerial and senior management levels. Our Company's growth is secured by talented employees committed to our mission and values, who are also adequately compensated and capable of providing outstanding quality service to our customers.

Our general turnover rate was 24.4% in 2011 and 22.3% in 2010.

13 - SOCIAL RESPONSIBILITY AND AWARDS

a) Social Responsibility

The Company participates in social action programs, showing its concern with the community through projects that focus on culture, social actions and education, and invested R$2.4 million in 2011. The following stand out:

- Junior Achievement – Minas Gerais: educational project whose main goal is to bring entrepreneurism to public schools. The Company is one of the sponsors of Junior Achievement; the chairman of the Advisory Board in Minas Gerais is Eugenio Mattar, the Company's vice-president.

- Leader Development Institute: project whose goal is to form corporate leaderships committed with the social and political organization model for Brazil, based on the democratic ideal of individual freedom, on market economics principles, on the free initiative, and on the respect for the rule of law.

- Endeavor: organization that identifies and allows the sustainable continuity of business of high-impact entrepreneurs. It selects, inspire and qualify high-impact entrepreneurs to also act as exceptional managers, by disseminating the high-impact entrepreneurial culture in the educational area. It works together with the government to minimize the obstacles to the entrepreneurial activity.

- Millenium Institute: a study, research, dissemination and qualification center focused on government, political, economic, social and cultural affairs, that promote the values and principles of a free society – individual freedom, right of ownership, market economy, efficient state, representative democracy, fundamental right and institutional limits to the government action.

- Minas for Peace: project whose goal is the promotion of social justice, peace, culture, citizenship, and human rights, by carrying out actions to prevent violence and criminality, and by implementing and promoting cultural and social projects that focus on these goals.

- Green Light for Culture: project that supports culture in the whole country, and that has used, for over 20 years, the Company's own resources or resources derived from income tax credits, under the *Rouanet* Law.

- Social Fund for Children and Teenagers: the Company allocates income tax resources to previously selected and qualified institutions that have a good track record and reputation.

- Green Seed: social project that supports institutions with voluntary work. This program collects food, toiletry articles, and educational materials to support two previously selected institutions.

b) Awards

In 2011, the Company won several awards, including:

Awards and recognition	Promoter institution
Corporate reputation	
XVI Top of Mind award	Common market
XIII Minas Desempenho Empresarial award	Common market
O Melhor da Viagem award	Viagem magazine – Editora Abril
Best CEO	*Institutional Investor*
Franchising Excellence award	Brazilian Franchising Association
The Best Franchise in Brazil	Pequenas Empresas & Grandes Negócios
4th in Profitability	Melhores e Maiores 2011 – Exame magazine
4th in Transportation	Melhores e Maiores 2011 – Exame magazine
2nd in Growth	Melhores e Maiores 2011 – Exame magazine
78th in Market Value	Melhores e Maiores 2011 – Exame magazine
Finance and Investor Relations	
Best CFO	*Institutional Investor*
Best IR area – Latin America	*Institutional Investor*
Best IR	*Institutional Investor*
Best IR Executive in Brazil	*IR Magazine Awards Brazil 2011*
XV Troféu Transparência award	ANEFAC – FIPECAFI – SERASA EXPERIAN
4th in Corporate Governance	The Best of Dinheiro magazine
People Management	
Life Quality – IDH 2011	Gestão & RH Magazine

14 - ENVIRONMENT

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

The Company's fleet is new and counts on technology to reduce the emission of pollutants by the cars. Most of the fleet consists of flex fuel cars, allowing for the use of ethanol as fuel, which is a clean, renewable, and sustainable energy source.

15 - CORPORATE GOVERNANCE

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

The Company is managed by a Board of Directors with 9 members, and a Board of Executive Officers with 6 members. In line with the Governance practices required by the Novo Mercado listing rules, the Company's Board of Directors has 4 independent members. Localiza currently has no Supervisory Board in place.

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

a) Board of Executive Officers and Board of Directors

On December 31, 2011, the Board of Directors and the Board of Executive Officers were formed by the following members:

BOARD OF DIRECTORS

NAME	Title
Salim Mattar	Chairman
Antonio Claudio Brandao Resende	Deputy chair
Eugenio Pacelli Mattar	Director
Flavio Brandao Resende	Director
Aristides Luciano de Azevedo Newton	Director
Oscar Bernardes (**)	Director
Jose Gallo (**)	Director
Stefano Bonfiglio (**)	Director
Maria Leticia de Freitas Costa (**)	Director

(*) On January 27, 2012, Mr. Aristides Luciano de Azevedo Newton submitted a letter of resignation from the position of member of the Board of Directors.
(**) Independent members.

EXECUTIVE OFFICERS

Name	Title
Salim Mattar	CEO
Eugenio Pacelli Mattar	COO
Roberto Mendes	CFO and IR Officer
Eugenia Maria Rafael de Oliveira	Statutory Executive Officer
Marco Antonio Martins Guimaraes	Statutory Executive Officer
Daltro Barbosa Leite Junior (*)	Statutory Executive Officer
Bruno Moreira de Andrade	Statutory Executive Officer

(*)Total Fleet's Statutory Director.

NON-STATUTORY OFFICERS

Alberto Wagner Teixeira Campos	Leandro Marques Aliseda
Ana Cristina Carvalho Chaves	Paulo Henrique de Almeida Pires
Claudio Luciano Marques	Silvio Neto Bezerra Guerra
Herbert Viana Andrade	Valdiney Cesario Ferreira
Joao Alberto Mazoni Andrade	

The annual remuneration of the Statutory Board of Executive Officers and the Board of Directors, approved at the Annual General Meeting held in April 2011 and valid through the Annual Shareholders' Meeting to be held in April 2013, is of up to R$44.5 million.

b) Adhesion to the Arbitration Chamber

Under the arbitration clause set forth in Article 36 of the Company's bylaws, the Company, its shareholders, management and members of the Supervisory Board undertake to settle, by means of arbitration, any and all dispute and controversy that may arise among them, whether related to or arising from, in particular, the application, validity, effectiveness, construction, breach and the effects thereof, of the provisions set forth in Law 6404/76, the Company's bylaws, the rules issued by the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission, as well as any other rules applicable to the operation of capital markets in general, as well as those set forth in the Novo Mercado Listing Rules, the Novo Mercado Agreement and the Market Arbitration Chamber Rules.

c) Code of Ethics

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

d) Relationship with independent auditors

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

The financial statements for the year ended December 31, 2011 were audited by *Deloitte Touche Tohmatsu Auditores Independentes*.

On November 24, 2011, the Board of Directors, in conformity with Article 31 of CVM Instruction 308/99, which provides for the rotation of independent auditors at every five years, approved the engagement of the independent audit firm *PricewaterhouseCoopers Auditores Independentes* to replace *Deloitte Touche Tohmatsu Auditores Independentes* in connection with the performance of audit work to begin in the review of the Interim Financial Information (ITR) for the three-month period ended March 31, 2012.

e) Risk Management

Deloitte Touche Tohmatsu Auditores Independentes was also engaged to assist with the diagnosis of internal processes and controls, in order to enhance Localiza's and its subsidiaries' risk management. Such work, which was completed in 2011, resulted in the mapping of internal processes and their respective controls.

The additional services mentioned above were approved by the Company, since they do not configure loss of independence by the independent auditors, and are not included in the impediments provided for in Article 23 of CVM Rule 308/99. The fees paid for these services in 2011 amounted to R$24 thousand, which corresponds to 3.7% of the fees paid for the audit of the financial statements.

f) ABRASCA code of self-regulation and Good Practices

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

16 - DIVIDENDS AND SHARE BUYBACK

a) Dividends

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

The Bylaws determine that a minimum of 25% of the adjusted net income is distributed as compulsory dividend. The Bylaws also establish that the Company may allocate up to 75% of the net income, after the statutory reserve, and of the dividends to a bylaw income reserve denominated "Reserve for Investments, Expansion, and Fleet Renewal," whose purpose is to reinforce the Company's capital stock and working capital so as to ensure the appropriate operating conditions.

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

In thousands of R$

Fiscal Year	Dividends	Interest on Capital	Total
2010	23,337	48,620	71,957
2011	26,302(*)	50,544	76,846

(*) On January 9, 2012 , the Management proposed, for resolution by the Annual General Meeting, dividends to be distributed in the amount of R$26.3 million.

b) Share Buy-Back

The Company closed its Share Buy-Back Program in 2008. Through this program, 4,226,300 shares were purchased to be kept in treasury for R$43.6 million, including trading costs, at an average unit cost of R$10.32 (minimum of R$5.15, and maximum of R$16.55). On December 31, 2011, the market value of the 4,183,180 acquired shares was R$107.1 million (R$25.60 per share).

On August 22, 2011, the Board of Directors authorized the Board of Executive Officers to acquire up to 5,316,400 shares issued by the Company for holding in treasury and subsequent sale, without capital reduction.

Under both programs, the Board of Directors authorized the Board of Executive Officers to settle the call options within their exercise period, which are subject to the Company's Stock Option Plans.

17 - INVESTMENTS IN SUBSIDIARIES AND CORPORATE CHANGES

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

R$ thousand

Description	Total Fleet	Franchising Brasil	Prime	Car Rental	LFI SRL	Rental International	Car Assistance	TOTAL
Investments as at 12/31/2010	**261,447**	**604**	**-**	**4,165**	**100**	**-**	**240**	**266,556**
Contribution of capital to subsidiaries	100,000	-	-	-	-	-	-	**100,000**
Equity in subsidiaries	115,482	10,870	(10,849)	4,892	(3)	(73)	4,272	**124,591**
Dividends received and receivable	(27,427)	(2,717)	-	(1,223)	-	-	(1,068)	**(32,435)**
Reclassification (reversal) of shareholder´s deficit of subsidiaries to current liabilities	-	-	10,849	-	-	73	-	**10,922**
Investments as at 12/31/2011	**449,502**	**8,757**	**-**	**7,834**	**97**	**-**	**3,444**	**469,634**

On June 30, 2011, the Company approved the contribution of capital in cash in the amount of R$100.0 million to subsidiary Total Fleet, through the use of all funds arising from the Advance for Future Capital Increase approved at the meeting of the Executive Board held on June 22, 2011.

18 - SOCIAL REPORT

				2010			2011
Calculation basis of social indicators - R$ thousand							
Net Revenue (NR)				2,497,194			2,918,130
Earnings before taxes (EBT)				360,188			416,667
Gross Payroll (GP)				221,136			256,874
Internal Social Indicators	**Amount R$/thousand**	**% over GP**	**% over NR**		**Amount R$/thousand**	**% over GP**	**% over NR**
Meals	11,172	5%	1%		16,793	7%	1%
Pension Plan	-	0%	0%		766	0%	0%
Compulsory social charges	44,434	20%	2%		54,324	21%	2%
Health	6,918	3%	0%		13,020	5%	0%
Training and professional development	5,762	3%	0%		7,365	3%	0%
Day – care or day – care allowance	232	0%	0%		283	0%	0%
Profit Sharing	39,761	18%	2%		30,848	12%	1%
Other	4,343	2%	0%		5,647	2%	0%
Total – Internal Social Indicators	**112,622**	51%	5%		**129,046**	50%	4%
External Social Indicators	**Amount R$/thousand**	**% on EBT**	**% on NR**		**Amount R$/thousand**	**% on EBT**	**% on NR**
Education	-	0%	0%		409	0%	0%
Culture	147	0%	0%		1,632	1%	0%
Other	74	0%	0%		409	0%	0%
Total contributions to society	**221**	0%	0%		**2,450**	1%	0%
Taxes (net of social charges)	211,178	59%	8%		234,681	56%	8%
Total – External Social Indicators	**211,399**	59%	8%		**237,131**	57%	8%
Employees Indicators				**2010**			**2011**
Number of employees at the end of the year				4,533			5,304
Number of admissions during the period				1,809			1,948
Number of outsourced employees				109			125
Number of interns				24			1
Number of employees over 45 years old				289			359
Number of women working at the company				2,096			2,452
% of management positions held by women				51.03%			47.45%
Number of afro-descendants working at the company				2,464			3,370
% of management positions held by afro-descendants				34.54%			41.44%
Number of physically-impaired people or people with special needs				62			51

Significant information regarding corporate citizenship	2011			Goals 2012		
Highest/lowest compensations ratio			**80**			**80 (*)**
Total number of occupational accidents			**33**			**-**
- The social and environmental projects developed by the Company were established by	( ) directors	( ) directors and managers	(x) all employees	( ) directors	( ) directors and managers	(x) all employees
- The safety and health standads in the workplace were established by	( ) directors and managers	( ) all employees	(x) all + CIPA	( ) directors and managers	( ) all employees	(x) all + CIPA
- Regarding union freedom, right to collective bargaining and internal workers representation, the Company	( ) is not involved	(x) follows the standards of the International Labor Organization (ILO)	( ) encourages and follows the standards of the ILO	( ) will not be involved	(x) will follow the standards of the ILO	( ) will encourage and follow the standards of the ILO
- The profit sharing plan covers	( ) directors	( ) directors and managers	(x) all employees	( ) directors	( ) directors and managers	(x) all employees
- in selecting suppliers, the same ethical, social responsibility and environmental standards adopted by the Company	(x) are not considered	( ) are suggested	( ) are required	(x) will not be considered	( ) will be suggested	( ) will be required
- As to the participation of employees in volunteer work programs, the Company	( ) is not involved	( ) supports	(x) organizes and encourages	( ) will not be involved	( ) will support	(x) will organize and encourage
- Total number of complaints and criticisms from consumers	In the Company (**)	In Procon 89	In court 781	In the Company (**)	In Procon NA	In court NA
- % of complaints and criticisms from consumers handled or solved	In the Company (**)	In Procon 16.9%	In court 14.3%	In the Company (**)	In Procon NA	In court NA

(*) To calculate the ratio between the highest and lowest compensation paid in the Company, the head office's salaries were used (Belo Horizonte).

(**) The call center answers calls involving mechanical problems, accidents, doubts about the bill, as well as praises and complaints. The Company does not have a record on the number of calls concerning complaints only.

Management recommends reading the 2011 earnings release filed with the CVM and accessible through the website www.localiza.com/ri.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Localiza Rent a Car S.A. and Subsidiaries

Financial Statements
for the Year Ended December 31, 2011 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
Localiza Rent a Car S.A.
Belo Horizonte, MG

We have audited the accompanying individual and consolidated financial statements of Localiza Rent a Car S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the balance sheet as at December 31, 2011, and the income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the Individual Financial Statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Localiza Rent a Car S.A. as at December 31, 2011, and its financial performance and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Localiza Rent a Car S.A. as at December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and the accounting practices adopted in Brazil.

Emphasis of Matter

We draw attention to Note 2, to the financial statements, which state that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Localiza Rent a Car S.A. these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries by the equity method of accounting, which, for purposes of IFRS would be measured at cost or fair value.

Other Matters

Statements of Value Added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2011, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS, which does not require a presentation of DVA. These statementes were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Belo Horizonte, March 07, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Délio Rocha Leite
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOCALIZA RENT A CAR S.A.

BALANCE SHEETS AS AT
DECEMBER 31, 2011
(In thousands of Brazilian reais – R$)

A S S E T S

	Note	Individual (BR GAAP) 12/31/11	Individual (BR GAAP) 12/31/10	Consolidated (IFRS and BR GAAP) 12/31/11	Consolidated (IFRS and BR GAAP) 12/31/10
Current assets					
Cash and cash equivalents	*4*	597,741	276,923	711,002	415,681
Trade accounts receivable	*5*	278,913	225,238	353,440	274,792
Dividends receivable from subsidiaries	*7(b)*	32,435	66,313	-	-
Other current assets	*6*	72,344	43,115	54,202	40,807
		981,433	611,589	1,118,644	731,280
Decommissioning cars for fleet renewal		36	291	28,992	20,105
Total current assets		**981,469**	**611,880**	**1,147,636**	**751,385**
Noncurrent assets					
Long-term assets:					
Escrow deposits	*14(b)*	22,625	21,596	25,020	24,812
Deferred income tax and social contribution	*15(a)*	16,680	20,810	19,782	23,957
Other noncurrent assets	*6*	420	386	83	82
Total long-term assets		39,725	42,792	44,885	48,851
Investments in subsidiaries	*7*	474,142	271,064	-	-
Property and equipment	*8*	1,918,312	1,779,560	2,794,236	2,542,220
Intangible assets:					
Software	*9(a)*	17,726	7,463	18,289	7,747
Goodwill on acquisition of investments	*9(b)*	-	-	4,508	4,508
Total noncurrent assets		**2,449,905**	**2,100,879**	**2,861,918**	**2,603,326**
TOTAL ASSETS		**3,431,374**	**2,712,759**	**4,009,554**	**3,354,711**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOCALIZA RENT A CAR S.A.

BALANCE SHEETS AS AT
DECEMBER 31, 2011
(In thousands of Brazilian reais – R$)

L I A B I L I T I E S A N D S H A R E H O L D E R S' E Q U I T Y

		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Note	12/31/11	12/31/10	12/31/11	12/31/10
LIABILITIES					
Current liabilities					
Trade accounts payable	*10*	415,612	399,878	488,655	442,956
Social and labor obligations	*11*	45,491	46,037	58,682	58,023
Loans, financing and debentures	*12*	119,511	221,665	130,945	233,672
Income tax and social contribution	*15(c)*	19,706	10,072	32,543	22,725
Dividends and interest on capital	*16(b)*	38,294	40,207	38,294	40,207
Other current liabilities	*13*	58,924	41,751	44,659	36,121
Total current liabilities		**697,538**	**759,610**	**793,778**	**833,704**
Noncurrent liabilities					
Loans, financing and debentures	*12*	1,514,330	947,214	1,943,480	1,463,083
Provisions	*14(a)*	24,939	36,107	30,080	42,547
Deferred income tax and social contribution	*15(a)*	58,525	52,478	92,373	81,552
Other noncurrent liabilities	*13*	15,459	18,608	29,260	35,083
Total noncurrent liabilities		**1,613,253**	**1,054,407**	**2,095,193**	**1,622,265**
Total liabilities		**2,310,791**	**1,814,017**	**2,888,971**	**2,455,969**
SHAREHOLDERS' EQUITY	*16*				
Capital		601,708	601,708	601,708	601,708
Capital reserves		62,210	55,610	62,210	55,610
Treasury shares		(43,181)	(43,626)	(43,181)	(43,626)
Earnings reserves		499,730	273,939	499,730	273,939
Valuation adjustments to equity		116	11,111	116	11,111
Total shareholders' equity		**1,120,583**	**898,742**	**1,120,583**	**898,742**
Total liabilities and shareholders' equity		**3,431,374**	**2,712,759**	**4,009,554**	**3,354,711**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOCALIZA RENT A CAR S.A.

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands of Brazilian reais – R$, except earnings per share)

		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		Years ended		Years ended	
	Note	2011	2010	2011	2010
Net Revenue	*19*	2,193,341	1,870,325	2,918,130	2,497,194
Costs	*20*	(1,590,836)	(1,382,379)	(2,015,160)	(1,753,399)
Gross profit		**602,505**	**487,946**	**902,970**	**743,795**
Operating income (expenses):					
Advertising and selling	*20*	(175,626)	(120,815)	(224,425)	(174,200)
General and administrative	*20*	(65,694)	(48,023)	(79,968)	(59,932)
Other expenses, net	*20*	(3,010)	(19,161)	(2,870)	(19,382)
Equity in subsidiaries	*7*	124,591	100,576	-	-
		(119,739)	(87,423)	(307,263)	(253,514)
Results before financial income and expenses		**482,766**	**400,523**	**595,707**	**490,281**
Financial income (expenses):	*21*				
Financial income		47,452	18,187	60,331	38,202
Financial expenses		(176,927)	(106,867)	(239,371)	(168,295)
		(129,475)	(88,680)	(179,040)	(130,093)
Income before income tax and social contribution		**353,291**	**311,843**	**416,667**	**360,188**
Income tax and social contribution:	*15(b)*				
Current		(47,566)	(41,082)	(106,123)	(80,191)
Deferred		(14,083)	(14,869)	(18,902)	(24,105)
		(61,649)	(55,951)	(125,025)	(104,296)
Net income		**291,642**	**255,892**	**291,642**	**255,892**
Net income attributable to the Company's owners				291,642	255,892
Earnings per share – R$:	*17*				
Basic		1.47671	1.29578	1.47671	1.29578
Diluted		1.47121	1.29182	1.47121	1.29182

The Company does not have other comprehensive income in current and prior year.

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CHANGES IN EQUITY INDIVIDUAL (BR GAAP) AND CONSOLIDATED (IFRS AND BR GAAP)
FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands of Brazilian reais – R$)

			Capital reserves			Earnings reserves				Valuation adjustments to equity		
	Note	Capital	Options granted	Goodwill on subscription of shares	Treasury shares	Earnings retention	Legal reserve	Bylaws reserve	Additional dividend proposed	Deemed cost of property and equipment	Retained earnings	Total
BALANCES AS AT DECEMBER 31, 2009		**400,000**	**2,963**	**48,174**	**(43,626)**	**23,000**	**38,498**	**196,922**	**2,120**	**40,513**	**-**	**708,564**
Capital increase with earnings reserves	*16(a)*	201,708	-	-	-	(23,000)	(37,629)	(141,079)	-	-	-	-
Stock option plan	*16(c), item (i)*	-	4,473	-	-	-	-	-	-	-	-	4,473
Valuation adjustments to equity	*2.2, item (i)*	-	-	-	-	-	-	-	-	(29,402)	29,402	-
Net income		-	-	-	-	-	-	-	-	-	255,892	255,892
Allocation of net income:												
Legal reserve	*16(d), item (i)*	-	-	-	-	-	12,795	-	-	-	(12,795)	-
Interest on capital (R$0.25 per share)	*16(b)*	-	-	-	-	-	-	-	-	-	(48,620)	(48,620)
Proposed dividends (R$0.11 per share)	*16(b)*	-	-	-	-	-	-	-	(2,120)	-	(19,447)	(21,567)
Recognition of bylaws reserve	*16(d), item (ii)*	-	-	-	-	-	-	204,432	-	-	(204,432)	-
BALANCES AS AT DECEMBER 31, 2010		**601,708**	**7,436**	**48,174**	**(43,626)**	**-**	**13,664**	**260,275**	**-**	**11,111**	**-**	**898,742**
Stock option plan	*16(c), item (i)*	-	6,686	-	-	-	-	-	-	-	-	6,686
Valuation adjustments to equity	*2.2, item (i)*	-	-	-	-	-	-	-	-	(10,995)	10,995	-
Stock options exercised using treasury shares	*16(c), item (i)*	-	(527)	441	445	-	-	-	-	-	-	359
Net income		-	-	-	-	-	-	-	-	-	291,642	291,642
Allocation of net income:												
Legal reserve	*16(d), item (i)*	-	-	-	-	-	14,582	-	-	-	(14,582)	-
Interest on capital (R$0.26 per share)	*16(b)*	-	-	-	-	-	-	-	-	-	(50,544)	(50,544)
Proposed dividends (R$0.13 per share)	*16(b)*	-	-	-	-	-	-	-	-	-	(26,302)	(26,302)
Recognition of bylaws reserve	*16(d), item (ii)*	-	-	-	-	-	-	211,209	-	-	(211,209)	-
BALANCES AS AT DECEMBER 31, 2011		**601,708**	**13,595**	**48,615**	**(43,181)**	**-**	**28,246**	**471,484**	**-**	**116**	**-**	**1,120,583**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOCALIZA RENT A CAR S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands of Brazilian reais – R$)

	Note	Individual (BR GAAP) 2011	Individual (BR GAAP) 2010	Consolidated (IFRS and BR GAAP) 2011	Consolidated (IFRS and BR GAAP) 2010
Cash flows from operating activities:					
Net income for the year		**291,642**	**255,892**	**291,642**	**255,892**
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:					
Depreciation and amortization		110,056	99,284	225,587	183,020
Net book value of property and equipment written off		1,118,107	985,837	1,328,580	1,187,880
Deferred income tax and social contribution		14,083	14,869	18,902	24,105
Equity in subsidiaries	*7*	(124,591)	(100,576)	-	-
Other		5,660	6,861	2,702	6,804
(Increase) decrease in assets:					
Trade accounts receivable		(56,645)	(57,440)	(81,359)	(63,304)
Acquisition of cars (see supplemental disclosure below)		(1,322,501)	(1,376,707)	(1,743,739)	(1,799,166)
Escrow deposits		(267)	(2,174)	554	(1,617)
Recoverable taxes		(14,645)	(2,748)	(15,910)	(7,014)
Other assets		(5,199)	(8,474)	10,739	(1,552)
Increase (decrease) in liabilities:					
Accounts payable (except car makers)		10,173	35,057	12,957	39,220
Social and labor obligations		(546)	22,808	659	27,874
Taxes payable		46,236	40,054	106,123	78,321
Interest on loans, financing, debentures	*12*	169,114	100,577	231,049	161,422
Insurance premiums		2,630	(9,958)	2,630	(9,958)
Other payables		(13,209)	16,580	(16,799)	20,943
Cash provided by operating activities		**230,098**	**19,742**	**374,317**	**102,870**
Payment of income tax and social contribution		(30,186)	(28,323)	(82,979)	(57,846)
Payment of interest on loans, financing and debentures	*12*	(139,571)	(116,332)	(237,082)	(169,641)
Net cash provided by (used in) operating activities		**60,341**	**(124,913)**	**54,256**	**(124,617)**
Cash flows from investing activities:					
Contribution of capital to subsidiaries	*7*	(100,000)	-	-	-
Dividends from subsidiaries	*7(b)*	66,313	98,457	-	-
Acquisition of other property and equipment	*8*	(48,281)	(47,738)	(49,219)	(47,771)
Acquisition of intangible assets	*9*	(13,329)	(3,294)	(13,774)	(3,431)
Other		-	(94)	-	-
Net cash provided by (used in) investing activities		**(95,297)**	**47,331**	**(62,993)**	**(51,202)**

Cash flows from financing activities:					
Loans and financing:	*12*				
- Proceeds		153,000	427,906	288,051	427,906
- Amortization		(217,581)	(373,935)	(404,348)	(408,935)
Debentures:	*12*				
- Proceeds		500,000	370,000	500,000	370,000
- Amortization		-	(222,190)	-	(222,190)
Dividends	*16(b)*	(23,337)	(6,112)	(23,337)	(6,112)
Interest on capital	*16(b)*	(56,308)	(28,788)	(56,308)	(28,788)
Other		-	(4,610)	-	-
Net cash provided by financing activities		**355,774**	**162,271**	**304,058**	**131,881**
Net cash flow provided by (used) in the year		**320,818**	**84,689**	**295,321**	**(43,938)**
Cash and cash equivalents					
At beginning of year	*4*	276,923	192,234	415,681	459,619
At end of year	*4*	597,741	276,923	711,002	415,681
Increase (decrease) in cash and cash equivalents		**320,818**	**84,689**	**295,321**	**(43,938)**

Supplemental disclosure of cash flow information:

		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Note	**2011**	**2010**	**2011**	**2010**
Statement of cash paid for car acquisition:					
Acquisition of cars in the period - Renewal		(1,217,178)	(1,088,607)	(1,504,512)	(1,370,081)
Acquisition of cars in the period - Growth		(110,884)	(402,470)	(271,969)	(540,354)
Total car acquisitions	*8*	(1,328,062)	(1,491,077)	(1,776,481)	(1,910,435)
Trade accounts payable - car makers:					
Balance at end of year	*10*	345,739	340,178	405,317	372,575
Balance at beginning of year	*10*	(340,178)	(225,808)	(372,575)	(261,306)
Cash paid for car acquisitions		**(1,322,501)**	**(1,376,707)**	**(1,743,739)**	**(1,799,166)**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOCALIZA RENT A CAR S.A.

STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands of Brazilian reais – R$)

	Note	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		2011	2010	2011	2010
Revenues:					
Gross revenue less discounts		2,228,323	1,902,404	2,970,118	2,541,250
Other revenues		3,152	3,272	9,681	10,515
Revenues related to the construction of own assets and leasehold improvements		45,437	27,237	45,890	27,237
Recognition of allowance for doubtful accounts	5	(2,970)	(477)	(2,711)	(652)
Total income		**2,273,942**	**1,932,436**	**3,022,978**	**2,578,350**
Costs and expenses acquired from third parties:					
Materials, energy, outside services and other		(101,414)	(60,688)	(119,576)	(85,776)
Costs of car and fleet rental and cars written off		(1,319,144)	(1,144,014)	(1,597,382)	(1,389,115)
Total costs and expenses acquired from third parties		**(1,420,558)**	**(1,204,702)**	**(1,716,958)**	**(1,474,891)**
Gross value added		**853,384**	**727,734**	**1,306,020**	**1,103,459**
Depreciation and amortization	20	(110,056)	(99,284)	(225,587)	(183,020)
Wealth created		**743,328**	**628,450**	**1,080,433**	**920,439**
Wealth received in transfer:					
Financial income	21	47,452	18,187	60,331	38,202
Equity in subsidiaries	7	124,591	100,576	-	-
Wealth for distribution		**915,371**	**747,213**	**1,140,764**	**958,641**
Wealth distributed					
Taxes and contributions					
Federal		133,428	134,150	227,746	210,067
State		28,384	27,057	40,590	39,051
Municipal		5,863	3,685	7,668	5,356
Personnel					
Salaries and wages		151,302	132,353	195,086	172,076
Benefits		29,460	18,229	36,531	22,629
FGTS (severance pay fund)		9,944	7,380	13,023	9,955
Stock option plan	16(c)	6,686	4,473	6,686	4,473
Third parties					
Interest	21	176,927	106,867	239,371	168,295
Lease of property and other		81,735	57,127	82,421	70,847
Shareholders					
Interest on capital	16(b)	50,544	48,620	50,544	48,620
Dividends	16(b)	26,302	19,447	26,302	19,447
Retained earnings		214,796	187,825	214,796	187,825
Wealth distributed and retained		**915,371**	**747,213**	**1,140,764**	**958,641**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOCALIZA RENT A CAR S.A. AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(In thousands of Brazilian reais - R$, unless otherwise stated)

1. OPERATIONS

Localiza Rent a Car S.A. ("Localiza"), headquartered at Avenida Bernardo Monteiro, 1,563, Belo Horizonte, Minas Gerais State, is since May 2005 a Brazilian publicly-held company listed on BM&FBovespa's (Sao Paulo Stock, Mercantile and Futures Exchange) New Market, which corresponds to the highest Corporate Governance level in the Brazilian capital market, whose shares are traded under the ticker symbol RENT3.

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

As at December 31, 2011, Localiza Integrated Business Platform, including franchisees in Brazil and abroad, consisted of 496 car rental branches, of which: i) 449 branches in 314 Brazilian cities, of which 247 operated by Localiza and the remaining by franchisees; and ii) 47 branches in 27 cities in seven South America countries, all operated by franchisees.

As at December 31, 2011, the fleet of Localiza's integrated business platform comprised 109,275 cars, of which: i) 96,317 belonging to the Company, including 31,629 of the Fleet Rental Division; ii) 10,999 belonging to franchisees in Brazil and iii) 1,959 belonging to franchisees abroad. After being used in the rental activity, the cars are sold to generate cash for fleet renewal. Decommissioned cars are sold substantially to end consumers in 66 sales points, located in 37 cities throughout Brazil, thus avoiding intermediation costs.

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

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

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

2.1. Declaration of conformity

The Company's financial statements include:

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

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

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

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

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

2.2. Basis of preparation

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

- cars and accessories comprising Localiza's and Total Fleet's fleet on January 1, 2009, date of transition to the IFRS and adoption of CPC 27, and that continue to comprise the fleet, were measured at fair value as deemed cost, see item (i) below; and

- compensation costs relating to the stock option plan measured at fair value.

(i) Adoption of deemed cost

The cars and accessories comprising Localiza's and Total Fleet's fleet on January 1, 2009, date of transition to the IFRS and adoption of CPC 27, were measured at their fair values, based on the deemed cost. In addition, their estimated useful lives and residual values were revised.

The appraisal report, approved in a meeting of the Board of Directors held on February 25, 2011, considered the following assumptions: i) the fair value of cars and accessories and their residual values were determined by an in-house team of experienced, objective specialists with technical knowledge of the appraised assets; ii) the fair value was determined based on used car market researches or the FIPE table, for cars similar to the fleet cars, taking into account the economic environment and the car fleet on the date of transition to the International Financial Reporting Standards, on January 1, 2009; iii) the residual value of cars was determined based on used car market researches or the FIPE table, for cars similar to those of Localiza's and Total Fleet's fleet, on the date of transition to the IFRS and, for this reason, it has been considered the estimated useful lives of the cars in these companies' fleets; and iv) the estimated useful lives of Localiza's cars of one year, and of Total Fleet's cars of one to four years, considered Management's expectation about their use in the rental car business and, in the case of fleet rental cars, the term of rental contracts with customers.

The effect on the consolidated opening balance sheet for the reporting period in which the deemed cost was applied, in captions property and equipment, deferred income tax and social contribution liabilities and valuation adjustments to equity, was as follows:

	Consolidated (IFRS and BR GAAP)		
	Assets	**Liabilities**	**Shareholders' equity**
	Property and equipment	**Deferred income tax and social contribution**	**Valuation adjustments to equity**
Balance as at December 31, 2008, as previously reported	**1,612,273**	**12,875**	**-**
Adjustments from adoption of deemed cost	143,110	48,657	94,453
Balance as at January 1, 2009	**1,755,383**	**61,532**	**94,453**

The changes in the Company's valuation adjustments to equity from January 1, 2009 to December 31, 2011 were as follows:

	Consolidated (IFRS and BR GAAP)
Adjustments from adoption of deemed cost	**94,453**
Valuation adjustments to equity (*)	(53,940)
Balance as at December 31, 2009	**40,513**
Valuation adjustments to equity (*)	(29,402)
Balance as at December 31, 2010	**11,111**
Valuation adjustments to equity (*)	(10,995)
Balance as at December 31, 2011	**116**

(*) The changes in valuation adjustments to equity, in the Company's shareholders' equity, are made through the depreciation and write-off of cars and accessories measured at their fair values on January 1, 2009.

2.3. Consolidation basis and investments in subsidiaries

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

In the consolidation, the Parent Company interests in the subsidiary's shareholders' equity, as well as intercompany asset and liability balances, revenues, costs, expenses and unrealized profits have been eliminated.

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

2.4. Key sources of estimation uncertainties

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

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

The Company reviews its estimates and assumptions on an ongoing basis and at least annually. The effects from reviews of accounting estimates are recognized in the period which estimates are

reviewed and changed, if the review affects only that period, or also in subsequent periods, if the review affects both current and future periods.

2.5. Functional and reporting currency

The Brazilian real is the functional currency of Localiza and the reporting currency of individual and consolidated financial statements. Financial information is presented in thousands of Brazilian reais, unless otherwise indicated and is rounded to the closest thousand. The financial statements of dormant foreign subsidiaries are translated into Brazilian reais at the exchange rates prevailing on the balance sheet dates. The effects of such translation on net income (R$76 in 2011 and R$27 in 2010) and shareholders' equity are immaterial.

2.6. Statement of Value Added (DVA)

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

The statement of value added has been prepared based on information obtained from accounting records that are the preparation basis for the financial statements and in accordance with the provisions of CPC 09 - Statements of Value Added. The first part presents the wealth created by the Company, represented by revenues (gross sales revenue, including levied taxes, other revenues and the effects of the allowance for doubtful accounts), costs and expenses acquired from third parties (rental cost and cars sold, acquisition of material, energy and outside services, including acquisition taxes, depreciation and amortization) and the value added received from third-parties (equity in subsidiaries, financial income and other income). The second part of the statement of value added presents the wealth distribution among employees, taxes and contributions, interest on debt, and interest on capital.

2.7. Summary of significant accounting practices

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

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

i) Car Rental: revenues are recognized on a daily basis according to the rental contracts entered into with customers. The revenues from the management of insurance claims of rented cars, recognized when the service is provided, as well as the revenues from insurance intermediation, on the account and discretion of our customers when cars are rented, recognized on a monthly basis, are reported together in caption "revenue from car rental";

ii) Fleet Rental: revenues are recognized on a monthly basis over the rental contract period.

iii) Sale of decommissioned cars: the proceeds from the sale of decommissioned cars for fleet renewal are recorded when the most significant risks and rewards of ownership are transferred

to the buyer and when the Company retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the cars;
iv) Franchising: franchise revenues are based on a percentage of franchised car rental revenue and are recognized on a monthly basis. They also include the "franchise fee" corresponding to the amounts paid by the franchisee in acquiring the right to operate a Branch by means of Localiza's Corporate Franchise in a given operating area for predefined periods. The franchise fee is recognized in profit or loss in accordance to terms of the agreement;
v) Interests: interest income from financial assets is recognized based on the time and effective interest rate on the outstanding principal amount on the balance sheet date.

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

2.7.2 Adjustment to present value - long and short-term monetary assets and liabilities are adjusted and calculated to their present value only when the effect is considered material in relation to the consolidated financial statements taken as a whole. For accounting purposes and significance determination, the adjustment to present value is calculated taking into account contractual cash flows and the effective average cost of the Company's debt. As at December 31, 2011 and 2010, the Company concluded that it is not necessary to make adjustments to present value, as its long-term assets and liabilities are not liable to adjustments and short-term accounts do not show significant effects when adjusted to present value.

2.7.3 Impairment of non-financial assets - the Company evaluates at least annually if there is any indication of extraordinary impairment of (i) property and equipment, and (ii) intangible assets - software. If there is any indication of impairment, the recoverable amount of the asset is estimated to measure the impairment loss. In 2011 and 2010 no impairment losses were recognized.

In addition, Localiza tests for impairment, at least annually, the goodwill on acquisition of investment. The impairment testing of goodwill consists of measuring the recoverable amount of the cash-generating unit (CGU) to which goodwill was allocated. If the recoverable amount of a cash-generating unit is lower than its carrying amount, impairment losses are firstly allocated to write down the carrying amount of any goodwill allocated to the cash-generating unit (CGU) and subsequently to the other assets of the CGU, prorated to the carrying amount of each of its assets. Any goodwill impairment loss is recognized directly in profit or loss and cannot be reversed in subsequent periods. In 2011 and 2010, it was not necessary to record impairment losses, as our tests did not indicate losses.

2.7.4 Financial Instruments - Financial assets and liabilities are recognized when one of the Company's entities is a party to the underlying agreement.

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

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

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

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

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

Trade accounts receivable - Trade accounts receivable are classified as "loans and receivables" and initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less the allowance for bad debts, as stated in Note 22(a), item (ii).

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

The Company's financial liabilities are classified as "other financial liabilities" and measured at the amortized cost, including loans, financing, debentures and trade accounts payable.

The Company does not have financial liabilities measured at fair value through profit or loss.

2.7.5 Decommissioning cars for fleet renewal - Are presented at the lower of fair value less cost to sell and residual value, which includes acquisition cost net of accumulated depreciation through the date in which cars are classified as "decommissioning cars for fleet renewal". Cars

whose carrying amounts will be recovered through sale rather than through continuing use are classified as “decommissioning cars for fleet renewal”. This condition is satisfied when: i) cars are available for immediate sale under current conditions, and their sale is highly probable; ii) Management is committed to sell decommissioned cars from P&E; iii) cars are effectively available for sale at a reasonable price in relation to their current fair values; and iv) the sale is expected to be as completed within one year from the date of classification.

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

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

2.7.7 Property and equipment - Cars, lands, buildings, leasehold improvements, construction in progress, furniture and fixtures and equipment are stated at cost, less accumulated depreciation and impairment, when applicable. On the date of transition to IFRS (January 1, 2009) fleet cars were stated at fair value, based on the deemed cost, as described in Note 2.2, item (i).

The depreciable amount corresponds to the positive difference between the acquisition cost and the estimated residual value. Depreciation is calculated provided that the estimated residual value of the asset does not exceed its carrying amount. Depreciation is recognized based on the estimated useful life of each asset on a straight-line basis. In the Fleet Rental Division, cars are depreciated under the sum of digits or exponential method, on a quarterly basis, which results in higher depreciation rates in the beginning and lower at the end of the useful life, allowing Total Fleet to maintain greater consistency in terms of costs, which grow over the contract term as a result of rising car maintenance costs, in line with the long-term characteristic of fleet rental contracts. Depreciation is recognized so that cost less its residual value (estimated sales price less estimated selling costs), after its useful life, is fully written off. If the depreciable amount of cars is underestimated, the residual value would be higher than the fair value, which would result in the recognition of losses when cars are sold or extraordinary adjustments throughout their useful lives. On the other hand, the overestimation of the depreciable amount of cars could give rise to an increase in the amount of rentals above those charged by competitors, which would reduce the Company’s competitiveness.

Constructions and leasehold improvements are amortized over the rental contract term. Assets acquired under finance leases are depreciated over their expected useful lives in the same manner as own assets. Lands and construction in progress are not depreciated.

Localiza and Total Fleet revise the estimated useful lives, residual values and depreciation methods of the fleet cars at least on quarterly basis. For all other items in the property and equipment of Localiza and its subsidiaries, these revision are conducted at least annually. The impact of any changes in estimates is accounted for prospectively.

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

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

	2011	2010
• Cars:		
Car Rental Division	4.9%	5.2%
Fleet Rental Division	11.7%	10.3%
• Other property and equipment:		
Leasehold improvements	19.6%	16.7%
Furniture and fixtures	10%	10%
IT equipment	20%	20%
Other	4% - 10%	4% - 10%

Cars in operation, either in car or fleet rental, are classified in property and equipment. Decommissioning cars, after being used in car and fleet rental, are presented as "decommissioning cars for fleet renewal", following the criteria mentioned in Note 2.7.5.

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

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

2.7.9 Intangible assets - Software - Intangible assets with defined useful lives and acquired separately are recorded at cost, less accumulated amortization and impairment, when applicable. Amortization is recognized on a straight-line basis over the estimated 5-year useful life. The estimated useful life and the amortization method are reviewed at the end of each year and the effect of any changes in estimates is accounted for on a prospective basis. The Company does not have relevant intangible assets generated internally.

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

2.7.11 Indemnities and claims - Localiza offers to customers the option of contracting insurance for the rented cars. Premiums received are recorded in liabilities, under "other current liabilities". When the policies are issued by the insurance company, premiums received are reclassified to "trade accounts payable" and, subsequently, transferred to the insurance company, which assumes the risk arising from any potential damages and theft. The expenses incurred by

Localiza on claims and indemnities, as well as any losses on stolen cars, are accounted for in assets under caption “other current assets”.

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

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

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

2.7.14.1 Current taxes - The provision for income tax and social contribution is based on taxable income for the year. Taxable income differs from net income recorded in the income statement because it excludes income or expenses that are taxable or deductible in other years, in addition to excluding items that are not taxable or deductible on a permanent basis. The provision for income tax and social contribution is calculated individually by each company under the taxable income or deemed income regime, based on prevailing rates. The subsidiaries that calculate income tax and social contribution under the deemed income regime do not recognize tax credits.

2.7.14.2 Deferred taxes - Deferred income tax and social contribution are recognized on temporary differences at the end of each reporting period distributed between asset and liability balances recognized in the financial statements and the corresponding tax basis used to determine taxable income, including tax losses balance, when applicable. Deferred tax liabilities are generally recognized on all temporary taxable differences and deferred tax assets are recognized on all deductible temporary differences, only when it is probable that the Company will present future taxable income at an amount sufficient to allow the use of these deductible temporary differences. The recovery of the deferred tax asset balance is reviewed at the balance sheet date and, when it is no longer probable that future taxable income will be available to allow the recovery of all or part of assets, the asset balance is adjusted based on the expected recoverable amount.

2.7.15 Interest on capital - Interest credited to shareholders, calculated pursuant to Law 9249/95, are recorded in the statement of income under "financial expenses", as required by tax legislation. However, for financial statement disclosure purposes, interest on capital is presented as a debit to retained earnings, the same treatment given to dividends. The amounts paid to shareholders as interest on capital, net of withholding income tax, are deducted from the minimum mandatory dividend, pursuant to article 9, paragraph 7, of Law 9249/95 and based on paragraph 5 of article 24 of Localiza's bylaws.

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

3. ACCOUNTING PRONOUNCEMENTS AND INTERPRETATIONS RECENTLY ISSUED

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

The following IASB's and IFRIC's (International Financial Reporting Interpretations Committee) accounting pronouncements listed below are effective in this reporting period and were adopted by the Company in its financial statements for the year ended December 31, 2011. Such standards did not significantly affect these financial statements:

Pronouncement/Interpretation	Description	Effectiveness
IFRS 1 – Amendments to IFRS 1 – First-time adoption of IFRS	Refer to the limited exemption from IFRS 7 comparative disclosures for entities that are first-time adopters.	Annual periods beginning after July 1, 2010.
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	Establishes procedures for the recognition and disclosure of equity instruments issuance transactions. Provides guidance on how to account for an extinguished financial liability by issuing equity instruments. Specifically, according to IFRIC 19, equity instruments issued under such transaction will be measured at fair value, and any difference between the carrying amount of the financial liability extinguished and the payment of equity instruments issued will be recognized in profit or loss.	
IAS 32 - Financial Instruments: Classification of rights	Address the classification of certain rights denominated in foreign currency as equity instrument or financial liability. Under the amendments, the rights, options or warrants issued by an entity so that the holders are able to acquire a fixed number of the entity's equity instruments for a fixed amount in any currency are classified as equity instruments in the entity's financial statements provided that the offer is proportionally made to each holder of the same class of non-derivative instruments.	Annual periods beginning after February 1, 2010.
IAS 24 - Related-party Disclosures	Explains the concept of "related parties" and, additionally, includes and sets out the requirements for disclosing commitments involving related parties.	Annual periods beginning on or after January 1, 2011.
IFRIC 14 - Prepayments of Minimum Funding Requirements	Eliminates the unintended consequences arising from the prepayment that involves a minimum funding requirement. Under certain circumstances, the results of prepayments are recognized as assets instead of as expense.	

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

The following IASB's accounting pronouncements are not yet effective and were not regulated by the CPC and CVM. Accordingly, these pronouncements were not early adopted by the Company in its financial statements for the year ended December 31, 2011. Where applicable, the Company will implement these pronouncements as they become effective, and expects no material impacts on its financial statements:

Pronouncement	Description	Effectiveness
IAS 12 - Income Taxes	Provides an exception to the basic principles of IAS 12 of measuring deferred tax assets and liabilities, which should reflect the tax effects resulting from the manner in which the entity expects to recover the carrying amount of an asset. It also includes a rebuttable presumption that the residual value of an asset measured using the fair value model in IAS 40 will be recovered through sale.	Annual periods beginning on or after January 1, 2012.
IFRS 7 – Amendments to IFRS 7	Enhance disclosure requirements for transactions involving financial assets, intended to provide greater transparency for exposures to risks when a financial asset is transferred but the transferor retains some level of exposure in the asset.	Annual periods beginning on/after January 1, 2013.
IFRS 9 – Financial Instruments	Refers to the first stage of the project to supersede "IAS 39 - Financial Instruments - Recognition and Measurement". Introduces new requirements for the classification, measurement, and derecognition of financial assets and financial liabilities.	
IFRS 10 - Consolidated Financial Statements	Supersedes parts of IAS 27 – Consolidated and Separate Financial Statements that address when and how an investor must prepare consolidated financial statements and supersedes SIC 12 - Consolidation - Special Purpose Entities. Additionally, IFRS 10 provides a new definition of control encompassing three components: a) authority over an investee; b) exposure or right to variable returns on its interest in the investee; and c) ability to use its authority over the investee to affect the amount of returns to the investor	
IFRS 11 - Joint Arrangements	IFRS 11 supersedes IAS 31 - Interests in Joint Ventures. Requires the use of the equity method of accounting to recognize interests in joint ventures, and eliminates the proportionate consolidation method.	
IFRS 12 - Disclosure of Interests in Other Entities	Defines the purpose of disclosures and minimum disclosures for entities holding investments in subsidiaries, jointly-controlled subsidiaries, associates or other unconsolidated companies.	
IFRS 13 - Fair Value Measurement	Sets out a single framework for measuring fair value and disclosing fair value measurements when the fair value is prescribed by other pronouncements. The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is comprehensive and applies to financial and nonfinancial instruments.	
IAS 19 (R) - Employee Benefits	Changes the recognition of defined benefit plans and termination benefits. The most significant amendment refers to the recognition of the changes made to defined benefit obligations and the plan assets.	
IAS 27 (R) - Separate Financial Statements	The IAS 27 requirements relating to the consolidated financial statements were replaced by IFRS 10. The requirements applicable to separate financial statements remain unchanged.	
IAS 28 (R) - Investment in Associates and Joint Ventures	Includes the changes introduced by IFRSs 10, 11 and 12. Clarifies the concept of "Significant Influence", examples for application of the equity method of accounting and how to conduct impairment tests for associates and joint ventures.	

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Cash and banks	15,599	12,842	16,231	13,404
Bank certificates of deposit (CDB)	181,415	195,974	222,171	283,623
Committed transactions	400,727	68,107	472,600	118,654
Total	**597,741**	**276,923**	**711,002**	**415,681**

As at December 31, 2011, investments in CDB and committed transactions yielded 102.1% of the Interbank Certificate Deposit (CDI) rate variation (100.8% as at December 31, 2010), have immediate liquidity and redemption term lower than 90 days.

5. TRADE ACCOUNTS RECEIVABLE

The breakdown of trade accounts receivable is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Car Rental	286,979	230,960	290,101	236,166
Fleet Rental	-	-	68,224	40,532
Franchising	973	347	7,457	7,725
	287,952	**231,307**	**365,782**	**284,423**
Allowance for doubtful accounts	(9,039)	(6,069)	(12,342)	(9,631)
Total	**278,913**	**225,238**	**353,440**	**274,792**

The aging list of trade accounts receivable is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Current	245,330	204,804	291,449	243,772
Up to 30 days past-due	18,163	9,799	41,174	17,536
31 to 60 days past-due	4,206	3,277	5,756	2,209
61 to 90 days past-due	2,875	3,074	3,427	4,784
91 to 180 days past-due	6,098	4,270	7,695	5,625
Past-due over 181 days	11,280	6,083	16,281	10,497
Total	**287,952**	**231,307**	**365,782**	**284,423**

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

	Consolidated (IFRS and BR GAAP)	
	12/31/11	**12/31/10**
Up to 60 days past-due	46,827	19,604
61 to 180 days past-due	9,467	10,081
Past-due over 181 days	6,170	1,680
Total	**62,464**	**31,365**

Changes in the allowance for doubtful accounts are as follows:

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
Balance as at December 31, 2010	**(6,069)**	**(9,631)**
Recognition	(4,558)	(5,186)
Reversal	1,588	2,475
Balance as at December 31, 2011	**(9,039)**	**(12,342)**

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

	Consolidated (IFRS and BR GAAP)	
	12/31/11	**12/31/10**
Current (*)	473	345
Up to 60 days past-due	103	141
61 to 180 days past-due	1,655	328
Past-due over 181 days	10,111	8,817
Total	**12,342**	**9,631**

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

6. OTHER CURRENT AND NONCURRENT ASSETS

Other current and noncurrent assets are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Other receivables from subsidiaries (Note 7(b), item (i))	20,626	7,310	-	-
Prepayments	703	1,161	703	1,161
Recoverable taxes	13,158	5,279	15,164	10,038
Amounts receivable from the insurance company (*)	36,530	28,285	36,530	28,285
Other	1,747	1,466	1,888	1,405
Total	**72,764**	**43,501**	**54,285**	**40,889**
Current	**72,344**	**43,115**	**54,202**	**40,807**
Noncurrent	**420**	**386**	**83**	**82**

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

7. INVESTIMENTS IN SUBSIDIARIES AND RELATED-PARTY TRANSACTIONS

(a) Information on subsidiaries

The businesses of car and fleet rental, franchises in Brazil and abroad and the management of ownership interests in Brazil and abroad are conducted by Localiza itself or one of its subsidiaries. These subsidiaries' operations are as follows:

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

Localiza Franchising Brasil S.A.: privately-held corporation engaged in the franchise business in Brazil.

Prime Prestadora de Serviços S.A.: privately-owned corporation engaged in the intermediation of sales of decommissioned cars, previously used by Localiza and Total Fleet in its rental operations.

Localiza Car Rental S.A.: privately-held corporation engaged in car rental activities.

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

Car Assistance Serviços de Administração de Sinistros S.A.: privately-held corporation that manages claims occurred with Localiza fleet cars.

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

TF Assistance Serviços de Administração de Sinistros S.A.: privately-held corporation, in preoperating state, that will manage claims related to Total Fleet cars.

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

	Number of shares		Equity interest In capital (%)		In shareholders'		In income statement	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	2011	2010
Direct subsidiaries:								
Total Fleet	103,280,354	103,280,354	100.0	100.0	449,502	261,447	115,482	85,252
Franchising Brasil	399,069	399,069	100.0	100.0	8,757	604	10,870	7,845
Prime (*)	15,000	15,000	100.0	100.0	-	-	(10,849)	(3,281)
Car Rental	1,339,961	1,339,961	100.0	100.0	7,834	4,165	4,892	7,115
Rental International (*)	1,000	1,000	100.0	100.0	-	-	(73)	(73)
Car Assistance	200,000	200,000	100.0	100.0	3,444	240	4,272	2,334
LFI SRL	25,000	25,000	100.0	100.0	97	100	(3)	(23)
					469,634	**266,556**	**124,591**	**99,169**
Goodwill on acquisition of investments					4,508	4,508	-	-
Effect of stock option plan (**)					-	-	-	1,407
Total					**474,142**	**271,064**	**124,591**	**100,576**
Indirect subsidiaries:								
TF Assistance	150,000	150,000	100.0	100.0	150	150	-	-

(*) Localiza recognized a provision for equity deficit of these subsidiaries, as shown in the changes in the balance of investments below.
(**) Refer to expenses of the stock option plan granted to employees of subsidiaries (Note 16(c), item (i)).

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

Balance as at December 31, 2010	**271,064**
Equity in subsidiaries	124,591
Capital contribution in subsidiary (*)	100,000
Dividends from subsidiaries	(32,435)
Reclassification of subsidiaries' equity deficit to current liabilities	10,922
Balance as at December 31, 2011	**474,142**

(*) On June 30, 2011, the Company approved the contribution of capital in cash in the amount of R$100,000 to subsidiary Total Fleet.

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

(i) Balance Sheets

12/31/2011	Total Fleet	Franchising Brasil	Prime	Car Rental	Rental International	Car Assistance	LFI SRL
Assets							
Current assets	184,118	19,080	3,531	10,453	21	4,750	146
Noncurrent assets:							
Long-term assets	2,655	1,384	1,458	-	-	-	-
P&E	875,736	188	-	-	-	-	-
Intangible assets	474	89	-	-	-	-	-
Total	**1,062,983**	**20,741**	**4,989**	**10,453**	**21**	**4,750**	**146**
Liabilities and shareholders' equity							
Current liabilities	147,626	7,016	16,782	2,619	-	1,306	-
Noncurrent liabilities	465,855	4,968	11,066	-	338	-	49
Shareholder's equity	449,502	8,757	(22,859)	7,834	(317)	3,444	97
Total	**1,062,983**	**20,741**	**4,989**	**10,453**	**21**	**4,750**	**146**

12/31/2010	Total Fleet	Franchising Brasil	Prime	Car Rental	Rental International	Car Assistance	LFI SRL
Assets							
Current assets	184,751	12,461	7,307	9,801	59	3,547	147
Noncurrent assets:							
Long-term assets	2,400	1,072	866	-	-	-	-
P&E	762,455	205	-	-	-	-	-
Intangible assets	236	48	-	-	-	-	-
Total	**949,842**	**13,786**	**8,173**	**9,801**	**59**	**3,547**	**147**
Liabilities and shareholders' equity							
Current liabilities	167,152	7,847	8,024	5,636	-	3,307	47
Noncurrent liabilities	521,243	5,335	12,159	-	303	-	-
Shareholder's equity	261,447	604	(12,010)	4,165	(244)	240	100
Total	**949,842**	**13,786**	**8,173**	**9,801**	**59**	**3,547**	**147**

(ii) Income Statements

2011	Total Fleet	Franchising Brasil	Prime	Car Rental	Rental International	Car Assistance	LFI SRL
Net revenue	679,580	13,875	27,526	11,508	-	4,879	-
Gross profit	251,354	11,147	27,526	5,803	-	4,646	(3)
Income (loss) before income tax and social contribution	174,662	12,964	(10,849)	6,321	(73)	4,944	(3)
Net income (loss)	**115,482**	**10,870**	**(10,849)**	**4,892**	**(73)**	**4,272**	**(3)**

2010	Total Fleet	Franchising Brasil	Prime	Car Rental	Rental International	Car Assistance	LFI SRL
Net revenue	577,568	11,628	29,962	17,322	-	3,132	-
Gross profit	205,695	8,896	29,962	8,937	-	2,663	(2)
Income (loss) before income tax and social contribution	129,665	9,350	(3,281)	9,171	(73)	2,704	(23)
Net income (loss)	**85,252**	**7,845**	**(3,281)**	**7,115**	**(73)**	**2,334**	**(23)**

(b) Balances and transactions with related parties

(i) balances and transactions with subsidiaries

	Total Fleet		Prime		Other		Total	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Balances:								
Trade accounts receivable	1,585	1,276	-	-	1,253	1,103	2,838	2,379
Dividends	27,427	55,645	-	-	5,008	10,668	32,435	66,313
Other short –term receivables (Note 6)	12,879	6,566	7,602	-	145	744	20,626	7,310
Equity deficit of subsidiaries (Note 13)	-	-	22,859	12,010	317	244	23,176	12,254
Other liabilities (Note 13)	-	-	-	195	115	405	115	600

	Total Fleet		Car Rental		Other		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Transactions:								
Recovery of expenses and costs	(14,054)	(19,701)	(453)	-	(4)	-	(14,511)	(19,701)
Revenues from car rentals	6,867	4,504	4,645	7,475	58	73	11,570	12,052

As at December 31, 2011, there are collateral related to guarantees for loans and financing amounting to R$990,448 (R$913,292 as at December 31, 2010), between Localiza and Total Fleet, see Note 12. There are also collateral between companies when bank guarantees are contracted for lawsuits totaling R$14,828 (R$16,283 as at December 31, 2010), see Note 14.

The rights and obligations between related parties do not have defined maturities and settlement dates and are dependent on the companies' cash flows. Transactions are conducted based on conditions agreed upon between the parent company and its wholly-owned subsidiaries.

(ii) other related-party transactions

- Compensation of key management personnel

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Remuneration of the Board of Directors	2,409	1,750	2,409	1,750
Management and Executive Board:				
Fees and compensation	18,091	16,859	19,342	18,100
Payroll taxes	3,460	3,226	3,747	3,472
Share-based compensation	4,130	2,377	4,599	2,647
Pension plan (Note 25)	151	-	163	-
Total	**28,241**	**24,212**	**30,260**	**25,969**

The Company does not offer severance benefits for the Management; however it expects to prepare a retention program for key management personnel.

- Assignment of rights and obligations

On March 14, 2005, Localiza, Total Fleet and Prime entered into a contract whereby they assigned and transferred to Locapar, which subsequently assigned the rights to its founder-partners, all rights arising from tax and social security lawsuits filed by them, in the original amount of R$216,446 (non-audited), net of settled lawsuits. On the other hand, the founder-partners assumed all the pecuniary obligations levied on lawsuits. Localiza, Total Fleet and Prime agreed to proceed with the lawsuits and utilize the credits acquired under the lawsuits for offset against tax obligations and, subsequently, transfer to the founder-partners the amounts corresponding to the credit from the offset, less a management fee of 3% of the amount of rights under the lawsuits that have been actually acquired or utilized through offset against tax obligations.

8. PROPERTY AND EQUIPMENT

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

	Individual (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	Cars	Other property and equipment	Total	Cars	Other property and equipment	Total
Cost:						
On December 31, 2010	**1,706,609**	**187,772**	**1,894,381**	**2,580,810**	**189,918**	**2,770,728**
Additions	1,328,062	48,281	1,376,343	1,776,481	49,219	1,825,700
Write offs/transf. (*)	(1,199,946)	(35,557)	(1,235,503)	(1,452,373)	(35,680)	(1,488,053)
As at December 31, 2011	**1,834,725**	**200,496**	**2,035,221**	**2,904,918**	**203,457**	**3,108,375**
Accumulated depreciation:						
On December 31, 2010	**(41,031)**	**(73,790)**	**(114,821)**	**(153,459)**	**(75,049)**	**(228,508)**
Additions	(86,357)	(20,632)	(106,989)	(201,493)	(20,861)	(222,354)
Write offs/transf. (*)	71,015	33,886	104,901	102,722	34,001	136,723
As at December 31, 2011	**(56,373)**	**(60,536)**	**(116,909)**	**(252,230)**	**(61,909)**	**(314,139)**
Residual value:						
On December 31, 2010	**1,665,578**	**113,982**	**1,779,560**	**2,427,351**	**114,869**	**2,542,220**
On December 31, 2011	**1,778,352**	**139,960**	**1,918,312**	**2,652,688**	**141,548**	**2,794,236**

(*) Include write-offs due to car sale, robbery, damage and transfer of decommissioning cars for fleet renewal.

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Leasehold improvements	58,447	38,799	58,447	38,799
Furniture and fixtures	19,679	16,363	20,417	16,957
IT equipment	8,627	7,684	8,734	7,804
Property and equipment in progress	21,622	20,386	22,167	20,393
Other	31,585	30,750	31,783	30,916
Total	**139,960**	**113,982**	**141,548**	**114,869**

As at December 31, 2011, the caption "cars" and "other property and equipment" includes R$9,279 (R$5,710 as at December 31, 2010) relating to the residual value of property and equipment items accounted for as finance leases (see Note 23).

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

9. INTANGIBLE ASSETS

(a) Software

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

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
Cost:		
On December 31, 2010	**16,651**	**17,547**
Additions	13,329	13,774
Write-offs	(4,419)	(4,664)
On December 31, 2011	**25,561**	**26,657**
Accumulated amortization:		
On December 31, 2010	**(9,188)**	**(9,800)**
Additions	(3,067)	(3,233)
Write-offs	4,420	4,665
On December 31, 2011	**(7,835)**	**(8,368)**
Residual value of software:		
On December 31, 2010	**7,463**	**7,747**
On December 31, 2011	**17,726**	**18,289**

As at December 31, 2011, the estimated amortization expenses for the next five years are as follows:

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
2012	3,321	3,483
2013	2,837	2,970
2014	2,277	2,393
2015	1,746	1,852
2016	983	1,029
Total unamortized expenses	**11,164**	**11,727**
Software in progress (*)	6,562	6,562
Residual value of *software*:	**17,726**	**18,289**

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

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

(b) Goodwill on acquisition of investments

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

	Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10
Goodwill on acquisition of noncontrolling interest in subsidiaries	4,918	4,918
Accumulated amortization	(410)	(410)
Residual value	**4,508**	**4,508**

Under CVM Resolution 565/08, goodwill on the acquisition of noncontrolling interest in subsidiaries, allocated to the Car Rental Division, is no longer amortized beginning January 1, 2009 and it is tested for impairment at least annually, as set forth in Note 2.7.3.

10. TRADE ACCOUNTS PAYABLE

Trade accounts payable are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Car makers	345,739	340,178	405,317	372,575
Maintenance services and parts	23,947	19,556	37,136	29,315
Rentals	4,428	3,302	1,829	1,763
Insurance policies	11,841	18,796	11,841	18,796
Other	29,657	18,046	32,532	20,507
Total	**415,612**	**399,878**	**488,655**	**442,956**

Balances payable to car makers refer to cars purchased at the end of each period bearing no financial charges and maturing in up to 60 days.

11. SOCIAL AND LABOR OBLIGATIONS

Payroll and related taxes are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Management fees	5,686	10,459	5,686	11,165
Accrued vacation	13,402	10,386	17,686	13,985
Provision for employee profit sharing	20,607	21,390	27,871	27,673
Social security contribution (INSS)	3,752	2,551	4,883	3,426
Severance pay fund (FGTS)	846	560	1,065	762
Other	1,198	691	1,491	1,012
Total	**45,491**	**46,037**	**58,682**	**58,023**

Localiza makes semiannual profit sharing payments for employees, based on their categories and performance evaluation, classified as “Cost”, “Advertising and selling expenses” and “General and administrative expenses” in the income statement, according to the functional allocation of the respective employees.

12. LOANS, FINANCING AND DEBENTURES

Loans, financing and debentures are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)			
	12/31/11	12/31/10	12/31/11	12/31/10	Maturity	Effective interest rate
In local currency (R$):						
Debentures - 2nd issue (a)	211,457	210,309	211,457	210,309	07/02/12 to 07/02/14	CDI + 0.59% p.a.
Debentures - 4th issue (a)	375,747	375,479	375,747	375,479	05/05/12 to 05/05/17	113.9% and 114.3% of CDI
Debentures - 5th issue (a)	501,415	-	501,415	-	05/30/16 and 05/30/17	114.5% of CDI
Debentures - 1st issue - Total Fleet (a)	-	-	308,664	411,191	09/30/13 to 09/30/15	CDI + 2.02% p.a.
Promissory Notes - 5th issue (b)	-	199,727	-	199,727	-	-
Bank Credit Notes (c)	29,506	-	29,506	116,685	10/14/13 to 09/14/15	CDI + 1.79% p.a.+ IOF
Commercial Credit Notes (d)	182,970	197,177	310,589	197,177	06/18/13 to 12/15/19	111.1% to 111.8% of CDI + IOF
Leases (e)	3,175	4,586	7,476	4,586	01/02/12 to 12/30/13	CDI + 1.70% p.a. to CDI + 2.33% p.a.
BNDES	375	1,271	375	1,271	05/15/12	TJLP + 3.8% p.a.
In foreign currency:						
Foreign currency loans – US dollar (f)	329,196	180,330	329,196	180,330	08/17/15 to 08/16/17	108.4% and 114.7% of CDI
	1,633,841	**1,168,879**	**2,074,425**	**1,696,755**		
Current	**119,511**	**221,665**	**130,945**	**233,672**		
Noncurrent	**1,514,330**	**947,214**	**1,943,480**	**1,463,083**		

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Initial Balance	**1,168,879**	**982,853**	**1,696,755**	**1,538,193**
Funding	653,000	797,906	788,051	797,906
Interest and financial charges	169,114	100,577	231,049	161,422
Repayment of principal	(217,581)	(596,125)	(404,348)	(631,125)
Interest amortization	(139,571)	(116,332)	(237,082)	(169,641)
Final Balance	**1,633,841**	**1,168,879**	**2,074,425**	**1,696,755**

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

(a) Debentures

As at December 31, 2011, Localiza has three issuances of debentures and its subsidiary Total Fleet has one issuance of debentures, all non-convertible into shares.

Localiza and Total Fleet debentures are subject to certain acceleration covenants, as described below: (i) request or declaration of bankruptcy by the issuer or third parties that is not duly resolved within the legal term; (ii) default of individual or aggregate amount equal to or higher than R$25,000; (iii) Localiza capital decrease and/or repurchase of its own shares for cancellation, except if previously authorized by the debentureholders; (iv) the merger or spin-off of Localiza (in the 2nd and 4th own issuances) or of Total Fleet (in its 1st issuance), except if pursuant the terms of article 231 of the Brazilian Corporate Law; (v) lowering of the issuance rating by Standard & Poor's in two or more notches of the risk rating at national scale, in relation to the rating granted on issuance date, of which: a) for the 2nd issuance, in relation to the rating brAA- (BR, double A, negative); b) for the 4th issuance, in relation to the rating brAA- (BR, double A, negative); and c) for the 5th issuance, in relation to the rating brAA (BR, double A), including any change in shareholding structure that results in the loss, transfer or disposal of the Company's controlling power by current controllers (in the 2nd, 4th and 5th own issuances); and (vi) non-maintenance of quarterly financial ratios, based on the Company's consolidated financial statements, as follows:

Issuance	Net Debt/ EBITDA[1] (maximum limit)	EBITDA[1]/Financial expenses, net (minimum limit)
2nd issuance	3.25	2.00
4th and 5th issuance	4.00	1.50
1st issuance of Total Fleet	4.00	1.50

Expenses incurred on the issuance of Localiza's and Total Fleet's debentures, including taxes, commissions and other costs, which totaled R$7,641 are classified under the same caption of the respective loans and are recognized over the total debt period. As at December 31, 2011, the amount to be recognized was R$5,811, and was presented net in each respective debenture.

The other characteristics of each issuance are as follows:

- 2nd issuance of Localiza Rent a Car S.A.

  On July 10, 2007, Localiza recorded the issuance of 20,000 debentures with CVM, with net financial settlement of R$200,000 on July 12, 2007. The funds were used for debt rescheduling. Debentures are simple, nonconvertible, registered, book-entry, single series, with par value of R$10 on the issuance date, July 2, 2007. Their term is 7 years, with amortization on the 5th, 6th and 7th years and semiannual interest payments. No guarantee and/or collateral is pledged for this debenture issuance.

[1] EBITDA means the Issuer's net income or loss, on a consolidates basis, for the 12-month period, before (i) financial expenses (income), net; (ii) income tax and social contribution; (iii) depreciation and amortization expenses.
In the 2nd and 4th issuances, EBITDA is also adjusted by (i) nonoperating expenses (income), net and (ii) noncontrolling interests.
In the 5th issuance, EBITDA is also ajusted by (i) stock option costs and (ii) nonrecurring expenses.

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

- 4th issuance of Localiza Rent a Car S.A.

  Localiza issued 370 debentures, with financial settlement of R$370,000 on May 11, 2010. The funds will be used for investment in the fleet and to improve Localiza's working capital. Debentures are simple, nonconvertible, nominative and registered, with floating guarantee, in two series, being the 1st series in the amount of R$240,000 and the 2nd series in the amount of R$130,000, with par value of R$1,000 on issuance date, May 5, 2010. Their term is 7 years, with amortization in six installments for the 1st series and four installments for the 2nd series. Debentures will yield interest payable semiannually. No guarantee and/or collateral is pledged for this debenture issuance.

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

- 5th issuance of Localiza Rent a Car S.A.

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

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

- 1st Issuance of Total Fleet S.A.

  Subsidiary Total Fleet issued 40,000 debentures with net financial settlement of R$400,000 on September 30, 2009. The funds were used for working capital purposes, dividend distribution and settlement of outstanding balances arising from transactions with Localiza. Debentures are simple, nonconvertible, nominative and registered, in a single series, with par value of R$10 on issuance date, September 30, 2009. The maturity is in 6 years, with repayment in four

successive, equal installments, the first one due on September 30, 2012 and the last one due on September 30, 2015, and semiannual interest payments. This debenture issuance is collateralized by Localiza surety.

This issuance is subject to optional early redemption, at Total Fleet's sole discretion, as from the 36th month after the issuance date, on dates that coincide with the payment date of a remuneration or payment of principal, with no premium payment.
On December 29, 2011, Total Fleet settled in advance the first installment under this issuance, in the principal amount of R$100,000.

(b) Promissory Notes

On June 10, 2011, the Company settled in advance all 5th issuance Promissory Notes, whose principal totaled R$200,000, issued on December 29, 2010 and originally maturing on June 27, 2011. No guarantee and/or collateral was pledged for this transaction.

(c) Bank Credit Notes - BCN

On June 22, 2011, subsidiary Total Fleet settled in advance a working capital loan whose principal amounted to R$86,000 and originally matured in two installments, in April 2012 and April 2013. This transaction was collateralized by Localiza surety.

On September 14, 2011, Localiza contracted R$30,000 in this type of working capital loan, payable in 48 installments and with final maturity on September 14, 2015. Interest will be paid on a quarterly basis in the first 24 months. Principal will be repaid in 24 monthly installments, after a grace period, with monthly payments of principal and interest. The agreement has the collateral signature of Total Fleet and contains certain provisions for accelerated maturity similar to those provided for the 5th issuance of debentures, except for the financial ratios, which are not applicable to this transaction.

(d) Commercial Credit Note - CCN

On December 15, 2009, Localiza contracted R$150,000 of this type of working capital loan, with final maturity on November 23, 2015. The principal will be amortized in 4 installments, at the following maturities and amounts: on November 23, 2012, R$15,000; on November 23, 2013, R$30,000; on November 23, 2014, R$45,000; and on November 23, 2015, R$60,000. Interest is paid semi-annually, on maturity and settlement. This transaction is collateralized by Total Fleet surety. On December 29, 2011, Localiza settled in advance the first installment in the principal amount of R$15,000, without payment of premium.

On June 21, 2010, Localiza contracted R$50,000 in this type of working capital loan, with final maturity on June 18, 2016. The principal will be amortized in 4 installments, at the following maturities and amounts: on June 18, 2013, R$5,000; on June 18, 2014, R$10,000; on June 18, 2015, R$15,000; and on June 18, 2016, R$20,000. Interest is paid semi-annually, on maturity and settlement. This contract is collateralized by Total Fleet surety.

On December 29, 2011, Total Fleet contracted R$130,000 of this type of working capital loan, with final maturity on December 15, 2019. The principal will be amortized in 6 installments, at the

following maturities and amounts: R$13,000 on December 15, 2014; R$13,000 on December 15, 2015; R$7,000 on December 15, 2016; R$19,000 on December 15, 2017; R$26,000 on December 15, 2018; and R$52,000 on December 15, 2019. Interest is paid semi-annually, on maturity and settlement. This transaction is collateralized by Localiza surety.

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

(e) Finance lease

As at December 31, 2011, Localiza has a finance lease transaction as mentioned in Note 23.

(f) Foreign currency loan

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

As at December 31, 2011, the Company had two foreign currency-denominated loan agreements:

- On June 29, 2010, Localiza contracted a loan from *Itaú BBA S.A.*, of US$95,506, with principal and interest maturing on May 25, 2016. This amount was translated into Brazilian reais at the rate of R$1.78 for each US$1.00, resulting in funds raised of R$170,000. Simultaneously, a swap transaction (plain vanilla) was contracted to eliminate the foreign currency exposure risk, exchanging foreign exchange variation plus spread for 114.7% of CDI variation.

- On August 24, 2011, Localiza signed with Bank of America a loan agreement in the amount of US$75.0 million, equivalent to R$123.0 million, in conformity with Law 4131/62, with settlement within six years; the related funds were released to Localiza in November 2011. Simultaneously, beginning on the same date of release of funds, a swap transaction (plain vanilla) was contracted to eliminate the foreign currency exposure risk, under identical conditions of amounts, term and rate, exchanging foreign exchange variation plus interest (three-month LIBOR + 1.6% per annum) for 102.5% of CDI variation.

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

Considering the description above, the Company and its subsidiaries are not subject to the risk of change in foreign exchange rates. Accordingly, there are no risks of change in foreign exchange

rates to be measured by the sensitivity analysis, as its indebtedness is only exposed to CDI variation.

Total Fleet's collateral signatures were pledged for these transactions and they apply to certain events of accelerated maturities. The loan agreements on June 29, 2010 and August 24, 2011 have certain events of early maturity under conditions similar to those of the 4th and 5th issuance of debentures of Localiza, respectively.

As at December 31, 2011, the Company's management understands that restrictive covenants applicable to loans, financing and debentures are being complied with.

13. OTHER CURRENT AND NONCURRENT LIABILITIES

Other current and noncurrent liabilities are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Equity deficit of subsidiaries (Note 7(b), item (i))	23,176	12,254	-	-
Payables to subsidiaries (Note 7(b), item (i))	115	600	-	-
Other taxes and fees payable	6,450	7,477	9,325	10,402
Advances from rental customers	13,639	9,076	15,241	9,966
Insurance premiums for transfer (*)	14,317	11,687	14,317	11,687
Deferred financing incentive	781	823	11,866	12,915
Other payables	15,905	18,442	23,170	26,234
Total	**74,383**	**60,359**	**73,919**	**71,204**
Current	**58,924**	**41,751**	**44,659**	**36,121**
Noncurrent	**15,459**	**18,608**	**29,260**	**35,083**

(*) Premiums received from customers that contracted insurance for rented cars and that are transferred by Localiza to the insurance company (Note 2.7.11).

14. PROVISIONS AND ESCROW DEPOSITS

(a) Recognized provisions

(i) Provisions and contingent liabilities

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

Changes in provisions, segregated by nature, are as follows:

	Individual (BR GAAP)				
	Tax	**Social security**	**Labor**	**Civil**	**Total**
On December 31, 2010	**18,305**	**5,498**	**7,272**	**5,032**	**36,107**
Recognition (reversal) of provisions, net	(3,317)	84	3,888	193	848
Payments	(12,172)	(1,452)	(1,159)	-	(14,783)
Inflation adjustment, net	477	-	-	-	477
Transfers (*)	2,239	51	-	-	2,290
As at December 31, 2011	**5,532**	**4,181**	**10,001**	**5,225**	**24,939**

	Consolidated (IFRS and BR GAAP)				
	Tax	**Social security**	**Labor**	**Civil**	**Total**
On December 31, 2010	**22,398**	**5,542**	**8,302**	**6,305**	**42,547**
Recognition (reversal) of provisions, net	(5,388)	84	4,981	(526)	(849)
Payments	(12,714)	(1,452)	(1,159)	-	(15,325)
Inflation adjustment, net	562	10	-	-	572
Transfers (*)	3,090	45	-	-	3,135
As at December 31, 2011	**7,948**	**4,229**	**12,124**	**5,779**	**30,080**

(*) Refers to amounts that have been offset against "escrow deposits" upon final decisions on lawsuits and amounts reclassified from current.

Significant changes during the year:

The decrease in the balance of provisions for tax contingencies was basically due to:

- Tax debt installment payment - In 2009, the Federal Government enacted Law 11941/09, which provides for a tax installment plan for tax debts managed by the Federal Revenue Service and the debts to the National Treasury Attorney General (PGFN).

  Localiza and its subsidiaries measured their contingent liabilities and decided to withdraw some lawsuits involving income tax, social contribution, taxes on revenue (Finsocial, PIS, and COFINS), withholding income tax (IRRF), fees paid to apprenticeship services (SESC/SENAC), debts to social security, and administrative proceedings involving income tax, social contribution, Federal VAT (IPI), PIS, COFINS, IRRF, IOF, and withheld contributions, as prescribed by said Law.

  In July 2011, with the consolidation of tax debts included in the Refis IV installment plan, the Company paid approximately R$13,137 related to three lawsuits and fifty-seven administrative proceedings. Nine lawsuits are still ongoing, for which the companies have recognized provisions of approximately R$2,527 and made escrow deposits totaling R$9,723. These debts challenged in

these lawsuits have also been included in Refis IV and await a court decision authorizing the conversion of the escrow deposits into payments to the Federal Government and the withdrawal of the difference by the Company. Additionally, Refis IV generated R$6,134 in tax credits, which have almost all been already utilized by the Company. The amounts settled under Refis IV do not present significant changes as compared to the amounts originally recognized, in line with Management's expectations.

- Localiza, taking advantage of the benefits of the amnesty granted by Law 12249/10, paid in June 2011 R$5,956 relating to an administrative proceeding filed by SUSEP. This lawsuit challenged the fact that Localiza's rental fee included an option for the customer who wished to trade in advance the right of recourse of the Company, in case it caused any damage, or in case the customer has joint liability with the Company before third parties, which is referred to as rented car risk coverage and extended coverage. In spite of its understanding that the procedure adopted was valid and in conformity with the sector practices, Localiza elected to withdraw the administrative proceeding due to economic reasons.

- The Company was challenging in courts the collection of certain fees related to the licensing of its fleet vehicles, which were being deposited in escrow. In September 2011, the Company obtained a favorable final and unappealable decision that resulted in the reversal of the provision for tax contingencies amounting to R$7,258. The amounts deposited in escrow, in the amount of R$4,441, were received by the Company in December 2011.

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

- **Tax:**

  - Localiza and its subsidiary Total Fleet are parties to tax lawsuits that address the levy of ISS (service tax) on the rental of chattel for the period from July 2001 and July 2003, in the accrued amount of R$1,524 as at December 31, 2011.

  - Localiza is a party to a lawsuit challenging the contribution to the Social Investment Fund (FINSOCIAL) in 1991 and 1992. In February 2000, a tax collection lawsuit was filed, whose amount was deposited in escrow by Localiza, thus staying the tax collection. In November 2009 Localiza elected to include the debt in the tax amnesty established by Law 11941/09. As at December 31, 2011, the provision recognized for this lawsuit amounted to R$1,295. In January 2012, the debt was definitely extinguished as a result of the conversion of a portion of the escrow deposit into payments to the federal government, and the outstanding balance in the escrow account will be paid to Localiza.

- **Social Security:**

  - Localiza and its subsidiaries are parties to several social security lawsuits. There are abstracts and court decisions that support the arguments defended by the Company. These lawsuits are collateralized by bank guarantees in the amount of R$18,250 as at December 31, 2011 (R$16,758 as at December 31, 2010). Localiza and its subsidiaries joined the tax installment payment provided for in Law 11941/09 and settled five social security lawsuits.

- **Labor:**

  - Localiza and its subsidiaries are parties to several labor lawsuits, mainly related to the possible recognition of employment relationship of service providers, contractors and similar workers and the payment of overtime and related charges. Judges' decisions on these matters are not uniform. As at December 31, 2011, some of these lawsuits are collateralized by bank guarantees, totaling R$1,172 (R$419 as at December 31, 2010).

- **Civil:**

  - Localiza and its subsidiaries are parties to several civil lawsuits related mainly to indemnity claims arising from damages to third parties in traffic accidents caused by customers driving cars rented from the Company. Although not being responsible for the accidents, the Company is sued for being the owner of the car. The consolidated amounts accrued as at December 31, 2011, in the amount of R$5,779 (R$6,305 as at December 31, 2010), refer to lawsuits whose likelihood of loss the Company assesses as probable, including the situations in which the likelihood of refunding is remote due to the contract right of recourse.

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

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

- Localiza and its subsidiary Total Fleet are parties to administrative and legal lawsuits referring basically to the levy of ICMS (state VAT) on transfers of cars between its branches, as well as on the sale of decommissioned cars for the rental activity. Localiza and its subsidiary Total Fleet do not recognize a provision to cover these challenges as the likelihood of loss is remote, as estimated by its legal counsel, which bases its opinion of prior court decisions, among which abstract 166. In some lawsuits, the Company presents bank guarantees to suspend the Revenue Service tax credit, in the amount of R$14,532 as at December 31, 2011 (R$10,418 as at December 31, 2010).

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

- Localiza received several tax assessment notices referring basically to the levy of ISS on fuel refund charged from and discounts granted to customers. Localiza does not recognize a provision to cover these challenges as its legal counsel, based on prior court decisions, estimates the likelihood of loss as remote. In some lawsuits, the Company presented bank

guarantees to suspend the Revenue Service tax credit amounting to R$6,285 as at December 31, 2011 (R$6,140 as at December 31, 2010).

- Localiza and its subsidiaries are parties to several social security lawsuits challenging mainly the non-payment of certain social security contributions on private pension, life insurance, profit sharing, among others, in the total non-accrued amount of R$7,119. The legal counsel, based on the jurisprudence and prior favorable decisions, assess the likelihood of loss as remote and, therefore, no provision was recognized as it is not a legal obligation.

(b) Escrow deposits

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

	Individual (BR GAAP)				
	Tax	**Social security**	**Labor**	**Civil**	**Total**
On December 31, 2010	**13,660**	**4,728**	**1,901**	**1,307**	**21,596**
Recognized escrow deposits, net of write-offs	(2,746)	-	664	208	(1,874)
Inflation adjustment	1,674	224	-	243	2,141
Transfers (*)	762	-	-	-	762
As at December 31, 2011	**13,350**	**4,952**	**2,565**	**1,758**	**22,625**

	Consolidated (IFRS and BR GAAP)				
	Tax	**Social security**	**Labor**	**Civil**	**Total**
On December 31, 2010	**16,222**	**4,745**	**2,521**	**1,324**	**24,812**
Recognized escrow deposits, net of write-offs	(3,964)	-	964	226	(2,774)
Inflation adjustment	1,747	222	-	251	2,220
Transfers (*)	762	-	-	-	762
As at December 31, 2011	**14,767**	**4,967**	**3,485**	**1,801**	**25,020**

(*) Refer mainly to amounts that have been offset against “provisions”, upon final decision on lawsuits.

15. TAXES ON INCOME – INCOME TAX AND SOCIAL CONTRIBUTION

Law 11941/09, in addition to amending Law 6404/76, created the Transition Tax Regime (RTT) to calculate taxes on income and revenue, which was optional for calendar years 2008 and 2009 and mandatory for calendars after 2010. Localiza opted for the RTT which determines that accounting methods and criteria should be maintained for tax purposes, as when they used in Brazilian Corporate Law prevailing through December 31, 2007.

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

The breakdown of deferred income tax and social contribution as at December 31, 2011 and 2010 is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Temporary differences in the deductibility of provisions:				
Allowance for doubtful accounts	899	448	1,015	594
Provision for litigations	7,613	7,165	8,223	8,287
Provision for payables to suppliers and others	1,369	784	3,395	2,312
Swap transaction with payments on a cash basis	6,799	12,413	6,799	12,413
Tax loss carryforwards	-	-	350	351
Total deferred income tax and social contribution assets – noncurrent	**16,680**	**20,810**	**19,782**	**23,957**
Swap transaction with payments on a cash basis	-	10,823	-	10,823
Cars depreciation (*)	58,170	41,655	92,018	70,729
Other	355	-	355	-
Total deferred income tax and social contribution liabilities - noncurrent	**58,525**	**52,478**	**92,373**	**81,552**

(*) Refer, mainly, to the temporary difference in the calculation of depreciation, as a result of adopting the measurement of assets at fair value (deemed cost) on transition date and of the concepts introduced by the new accounting practices in the calculation methodology of depreciation and residual value of cars sold. Localiza and its subsidiary Total Fleet continue to calculate, for tax purposes, the expenses with car depreciation using the depreciation criteria used through December 31, 2007. Temporary differences are realized at the end of the useful lives of cars, when they are written off.

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

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

The reconciliation between statutory and effective rates for the years ended December 31, 2011 and 2010 is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Pretax income	353,291	311,843	416,667	360,188
Statutory rate	34%	34%	34%	34%
Nominal expense	**(120,119)**	**(106,027)**	**(141,667)**	**(122,464)**
Adjustments to nominal expense:				
Equity in subsidiaries	42,361	34,196	-	-
Effect of the deduction of interest on capital	17,185	16,530	17,185	16,530
Other, net	(1,076)	(650)	(543)	1,638
Effective expense	**(61,649)**	**(55,951)**	**(125,025)**	**(104,296)**

Franchising Brasil, Car Rental and Car Assistance calculated, through December 31, 2011, income tax and social contribution under the deemed income regime in the amounts of R$2,094 (R$1,506 as at December 31, 2010), R$1,429 (R$2,056 as at December 31, 2010) and R$672 (R$370 as at December 31, 2010), respectively. For this reason, these companies do not account for deferred taxes.

(c) Income tax and social contribution payable

In 2011 and 2010, Localiza and its subsidiaries calculated income tax and social contribution at the quarterly taxation regime. The outstanding balance relating to the computation period of the last quarter of each year is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Income tax and social contribution	19,706	10,072	32,543	22,725

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

16. SHAREHOLDERS' EQUITY

(a) Capital

Subscribed and paid-in capital, in the amount of R$601,708 as at December 31, 2011 and 2010, is comprised of 201,708,000 registered common shares, without par value, and may be increased by a resolution of the Board of Directors to up to 43,962,000 common shares.

At the Extraordinary General Meeting held on October 15, 2010, shareholders approved Localiza's capital increase, without issuance of new shares, through the merger of a portion of the Earnings Reserve balance, being R$23,000 arising from the Retained Earnings Reserve, R$37,629 from the Legal Reserve and R$141,079 from the Statutory Reserve. Accordingly, capital was increased from R$400,000 to R$601,708 on that date.

As at December 31, 2011 and 2010, interest in capital and the related reconciliation of the number of outstanding shares are as follows:

	Management				
	Founder-partners	Board of Directors and Board of Executive Officers	Treasury shares	Outstanding shares	Number of shares -ON
Balance as at 12/31/2010	**69,153,520**	**185,705**	**4,226,300**	**128,142,475**	**201,708,000**
Acquisition (sale) of shares, net	(1,023,899)	-	-	1,023,899	-
Exercise of stock options held in treasury	-	43,120	(43,120)	-	-
Balance as at 12/31/2011	**68,129,621**	**228,825**	**4,183,180**	**129,166,374**	**201,708,000**

(b) Interest on capital and dividends

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

Interest on capital and dividends were calculated as follows:

	Individual (BR GAAP)	
	2011	2010
Net income for the year	291,642	255,892
Legal reserve (5%)	(14,582)	(12,795)
Adjusted net income – basis for dividends proposal	277,060	243,097
Minimum dividends (25%)	**69,265**	**60,774**
Proposed/distributed dividends and interest on capital:		
Dividends	26,302	19,447
Interest on capital	50,544	48,620
Subtotal	**76,846**	**68,067**
Withholding income tax (IRRF) on interest on capital	(7,581)	(7,293)
Total	**69,265**	**60,774**
Percentage on adjusted net income for the year	25.0%	25.0%
Dividends and interest on capital per share, net of treasury shares	**R$0.351**	**R$0.308**

(i) Interest on capital

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

		Individual (BR GAAP)		
Approval date	**Total amount paid**	**Amount per share (in R$)**	**Shareholding position date**	**Payment date**
03/25/2010	8,931	0.045225	03/31/2010	05/21/2010
06/24/2010	9,568	0.048450	06/30/2010	08/20/2010
09/23/2010	10,289	0.052102	09/30/2010	11/18/2010
11/25/2010	11,293	0.057185	12/30/2010	01/21/2011
12/22/2010	8,539	0.043239	12/30/2010	02/18/2011
Total 2010	**48,620**			
03/24/2011	11,351	0.057472	03/31/2011	05/19/2011
06/30/2011	12,119	0.061369	07/01/2011	08/25/2011
09/22/2011	13,006	0.065844	09/30/2011	11/18/2011
12/15/2011	14,068 (*)	0.071221	12/29/2011	02/10/2012
Total 2011	**50,544**			

(*) As at December 31, 2011, interest on capital had not been paid to shareholders.

(ii) Dividends

At the Annual Shareholders' Meeting, held on April 25, 2011, the proposal for distribution of dividends was approved in the amount of R$23,337, of which i) R$19,447 relating to the net income for 2010 and ii) R$3,890 relating to the difference in the income for 2009, upon first-time adoption of the IFRS. Payment was made on June 22, 2011.

As at January 9, 2012, Management proposed for approval of the Annual Shareholders' Meeting a distribution of dividends referring to the income for the year in the amount of R$26,302.

(iii) Dividends and interest on capital payable

Dividends and interest on capital payable are as follows:

	Inidividual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	12/31/11	**12/31/10**
Dividends:		
on net income for the year	26,302	19,447
on net income upon the first-time adoption of IFRS/2009	-	3,890
Interest on capital	14,068	19,832
Withholding income tax on interest on capital	(2,076)	(2,962)
Total dividends and interest on capital payable	**38,294**	**40,207**

(c) Capital reserve

(i) Recognized options granted

Reserve used to sponsor the stock option plan, as described below.

- Stock option plan – Consolidated Information

The Company currently maintains 5 stock option programs, within the scope of the Company's Second Stock Option Plan, which grant common share subscription options to some (eligible) executives and employees. To be eligible, executives and employees should comply with minimum requirements of: i) length of services provided to Localiza, or one of its subsidiaries, from 1 to 2 years, and ii) performance in exercising their duties.

Each of the 5 stock option programs are divided into 4 annual tranches, and the number of options per tranche is 25% of total options granted in each of the programs. The vesting period for the eligible employee acquire the right to exercise the option is from 3 to 6 years and the share purchase option may be exercised at any time beginning as of the right acquisition date up to option exercise limit date.

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

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

	Programs				
	2011	**2010**	**2009**	**2008**	**2007**
Approval meeting date	04/28/11	05/20/10	09/15/09	07/30/08	03/09/07
Number of granted/approved options	1,022,913	970,493	1,038,224	900,000	900,000
Number of eligible employees	499	413	357	293	277
Number of options per tranche	255,728	242,623	259,556	225,000	225,000
Number of tranches	4	4	4	4	4
1st tranche exercise year (*)	2014	2013	2012	2011	2010
Limit date to exercise the options	apr/2018	apr/2017	apr/2016	apr/2015	apr/2014

(*) Other tranches may be exercised annually, beginning as of the 1st tranche date.

Changes in the five stock option plans through December 31, 2011 are as follows:

	Beginning of period		Granting/Approvals			Terminations		Exercise	End of period	
Year	Eligible employees	Options	Eligible employees	Options granted/ approved	Exercise price	Terminated eligible employees	Returned options	Exercised options	Eligible employees	Existing options
2007 Plan:										
12/31/10	219	764,031	-	-	(*)	16	30,156	-	203	733,875
12/31/11	203	733,875	-	-	(*)	10	14,058	-	193	719,817
2008 Plan:										
12/31/10	267	850,844	-	-	(*)	21	31,728	-	246	819,116
12/31/11	246	819,116	-	-	(*)	11	21,453	-	235	797,663
2009 Plan:										
12/31/10	347	1,024,108	-	-	(*)	32	36,648	-	315	987,460
12/31/11	315	987,460	-	-	(*)	20	34,501	43,120	295	909,839
2010 Plan:										
12/31/10	-	-	413	970,493	(*)	31	30,996	-	382	939,497
12/31/11	382	939,497	-	-	(*)	27	34,153	-	355	905,344
2011 Plan:								-		
12/31/11	-	-	499	1,022,913	(*)	32	14,398	-	467	1,008,515

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

Program	2010	2011	2012	2013	2014	2015	2016	2017
2007	23.76	24.71	25.70	26.73	-	-	-	-
2008	-	22.77	23.74	24.76	25.82	-	-	-
2009	-	-	8.35	8.72	9.12	9.53	-	-
2010	-	-	-	23.15	24.19	25.28	26.42	-
2011	-	-	-	-	34.25	35.79	37.40	39.08

The 1st and 2nd tranche options for the 2007 Plan that, as at December 31, 2011, totaled 359,909 options are vested since April 1, 2010 and April 1, 2011, respectively. The 1st tranche options for the 2008 Plan that, as at December 31, 2011, totaled 199,416 options are vested since April 1, 2011. All other stock options are not vested as at December 31, 2011.

The following weighted average assumptions were used to calculate the fair value of each of the tranches of the 5 stock option plans:

	Programs				
	2011	2010	2009	2008	2007
Share price	26.46	23.99	17.70	5.70	19.68
Risk-free rate	10.21%	10.04%	9.69%	10.93%	8.67%
Expected annualized volatility (*)	50.12%	52.34%	55.01%	56.63%	37.60%
Expected dividends	0.39%	0.42%	0.45%	0.46%	-
Duration of the program in years	4.4	4.2	4.0	3.8	4.5
Option fair value on grant date (R$/share)	11.12	12.10	12.21	0.88	7.09
Remaining contractual term (years):					
1st tranche	2.4	1.4	0.3	-	-
2nd tranche	3.4	2.4	1.4	0.3	-
3rd tranche	4.4	3.4	2.4	1.4	0.3
4th tranche	5.4	4.4	3.4	2.4	1.4
Remaining remuneration costs in R$/thousand	5,201	5,166	3,451	159	972

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

In 2011, the consolidated compensation cost arising from these five Programs was R$6,686 (R$4,473 in 2010), with R$5,020 referring to employees of the Company and R$1,666 referring to the subsidiaries' employees.

Considering the exercise of the options existing as at December 31, 2011, the interest dilution percentage to which current shareholders may be subject is 2.2%.

- Options exercised in 2011

In September 2011, 43,120 stock options relating to the 2009 Stock Option Plan - 2009 Program were exercised which, although not vested, are exercisable in case of employee retirement. The weighted average strike price of options exercised, as well as the weighted average fair value of Localiza's shares on the vesting date, were as follows:

Weighted average strike price	Weighted average fair value
R$8.35	R$26.83

All options were exercised using the treasury shares and, therefore, there was no dilution in the interest of the current holders of Localiza's capital.

(ii) Goodwill on share subscription

Reserve relating to the remaining balance of goodwill from the primary 2006 offering of shares of Localiza. In addition, a goodwill in the amount of R$441 was generated upon the exercise of 43,120 stock options in September 2011, relating to the 2009 Program.

(iii) Treasury shares

As at December 31, 2011, the number of treasury shares is 4,183,180 shares (4,226,300 as at December 31, 2010), acquired in the repurchase program approved in the Board of Directors' meeting held on December 18, 2007. These shares' acquisition cost, including trading costs, was R$43,626, and the average unit cost was R$10.32 (minimum of R$5.15 and maximum of R$16.55). As at December 31, 2011, the market value of the 4,183,180 shares is R$107,089 (quotation of R$25.60 per share).

As described in item (i) above, in September 2011 the Company used 43,120 treasury shares to settle the 2009 Stock Option Plan options exercised.

The Board of Directors authorized at the meeting held on August 22, 2011 the buyback of up to 5,316,400 Company's shares under the Third Buyback Program, to be held in treasury and subsequently sold or used in the stock option program, without any capital reduction. The transaction deadline is 365 days. Through December 31, 2011, no share was acquired by the Company under such program.

(d) Earnings Reserves

(i) Legal Reserve

Reserve recognized as prescribed by the Brazilian corporate law, through the allocation of 5% of the net income, limited to: i) 20% of the capital or ii) when the balance of such reserve plus the capital reserves reaches 30% of the capital. The objective of the legal reserve is to ensure the integrity of capital and can only be utilized to offset losses or increase capital. As at December 31, 2011 and 2010, R$14,582 and R$12,795 were recognized as legal reserve, respectively.

(ii) Bylaws Reserve

According to item (f), § 2 of article 24 of Localiza's bylaws, the remaining portion of the adjusted net income will be allocated to the "provision for fleet investment, expansion and renewal", which is intended to increase the Company's capital and working capital, in order to ensure adequate operating conditions. The balance of this reserve, plus the balances of other earnings reserves, except for unrealized earnings reserves and reserve for contingencies, should not exceed the amount of capital. When such maximum limit is reached, the Annual Shareholders' Meeting can approve the use of the excess amount to contribute or increase capital, or distribute dividends.

The Annual Shareholders' Meeting held on April 25, 2011 approved Management's proposed allocation of the amount of R$260,275 to the bylaws reserve, of which i) R$204,432 relating to the retained earnings balance for 2010 and ii) R$55,843 relating the retained earnings balance for 2009 arising from prior-year adjustments upon adoption of the IFRS.

As at January 9, 2012, Management proposed, for the Annual Shareholders' Meeting approval, the allocation of the retained earnings balance for 2011, in the amount R$211,209, to the bylaws reserve.

(e) Valuation adjustments to equity

Reserve used to account for the deemed cost of Localiza's and Total Fleet's fleet cars that were measured at their fair values, upon first-time adoption of the IFRS on January 1, 2009, as set forth in Note 2.2, item (i).

17. EARNINGS PER SHARE

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

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

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

	Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	2011	2010
Net income for the year	**291,642**	**255,892**
Basic earnings per share:		
Weighted average outstanding shares (in units)	197,493,764	197,481,700
Basic earnings per share (in R$)	**1.47671**	**1.29578**
Diluted earnings per share:		
Weighted average of outstanding shares (in units)	197,493,764	197,481,700
Dilutive effect of share purchase options (in units)	739,433	605,139
Total of shares applicable to dilution (in units)	198,233,197	198,086,839
Earnings per share (in R$) - diluted	**1.47121**	**1.29182**

18. SEGMENT REPORTING

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

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

- Car Rental: division responsible for car rental in branches located in airports and off-airports. Cars are rented to individuals in business or leisure travel and to legal entities, including insurance companies and car makers. As part of its fleet renewal program, the car rental division decommissions its cars 12 months after it is being used in rental. The major portion of decommissioned cars are sold directly to the end consumer, by means of an own network of points for sale, since it is the most inexpensive alternative in relation to the discount requested by other sales intermediation vehicles.

- Fleet Rental: division responsible for fleet rental to legal entities for long-term periods, generally from 24 to 36 months. As part of its fleet renewal program, the fleet rental division decommissions its cars at the end of the contract entered into with the customer. Decommissioned cars are sold to the end consumers by means of an own network of points of sale and car dealers.

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

(a) Operating segment financial reporting

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

	Car rental		Fleet rental		Franchising		Unallocated balances		Eliminations		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Assets												
Cash and cash equivalents	-	-	-	-	-	-	711,002	415,681	-	-	711,002	415,681
Trade accounts receivable	284,437	231,622	65,270	37,671	6,520	7,380	-	-	(2,787)	(1,881)	353,440	274,792
Decommissioning cars for fleet renewal	36	291	28,956	19,814	-	-	-	-	-	-	28,992	20,105
Property and equipment	1,918,312	1,779,560	875,736	762,455	188	205	-	-	-	-	2,794,236	2,542,220
Other assets	169,550	169,221	3,970	6,330	1,847	1,328	-	-	(53,483)	(74,966)	121,884	101,913
Total assets	**2,372,335**	**2,180,694**	**973,932**	**826,270**	**8,555**	**8,913**	**711,002**	**415,681**	**(56,270)**	**(76,847)**	**4,009,554**	**3,354,711**
Liabilities												
Trade accounts payable	416,309	400,431	74,885	43,745	174	590	-	-	(2,713)	(1,810)	488,655	442,956
Loans, financing and debentures	-	-	-	-	-	-	2,074,425	1,696,755	-	-	2,074,425	1,696,755
Other liabilities	288,407	270,908	102,362	120,030	11,858	12,640	-	-	(76,736)	(87,320)	325,891	316,258
Total liabilities	**704,716**	**671,339**	**177,247**	**163,775**	**12,032**	**13,230**	**2,074,425**	**1,696,755**	**(79,449)**	**(89,130)**	**2,888,971**	**2,455,969**
Shareholders' equity	-	-	-	-	-	-	**1,120,583**	**898,742**	-	-	**1,120,583**	**898,742**
Total liabilities and shareholders' equity	**704,716**	**671,339**	**177,247**	**163,775**	**12,032**	**13,230**	**3,195,008**	**2,595,497**	**(79,449)**	**(89,130)**	**4,009,554**	**3,354,711**

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

	Car rental		Fleet rental		Franchising		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010	2011	2010	2011	2010
Net revenue	2,221,850	1,903,384	682,027	581,748	14,253	12,062	2,918,130	2,497,194
Costs	(1,578,153)	(1,375,697)	(430,129)	(372,162)	(6,878)	(5,540)	(2,015,160)	(1,753,399)
Gross profit	**643,697**	**527,687**	**251,898**	**209,586**	**7,375**	**6,522**	**902,970**	**743,795**
Operating expenses:								
Advertising and selling expenses	(209,331)	(150,315)	(14,924)	(23,586)	(170)	(299)	(224,425)	(174,200)
General and administrative expenses	(63,336)	(47,570)	(16,632)	(12,379)	-	17	(79,968)	(59,932)
Other expenses, net	(3,178)	(17,764)	188	(1,611)	120	(7)	(2,870)	(19,382)
Income before financial expenses, net	**367,852**	**312,038**	**220,530**	**172,010**	**7,325**	**6,233**	**595,707**	**490,281**
Financial expenses, net	(123,794)	(87,058)	(57,080)	(43,496)	1,834	461	(179,040)	(130,093)
Income tax and social contribution	(63,751)	(58,377)	(59,180)	(44,413)	(2,094)	(1,506)	(125,025)	(104,296)
Net income	**180,307**	**166,603**	**104,270**	**84,101**	**7,065**	**5,188**	**291,642**	**255,892**

The Company operates in Brazil and in 7 South American countries; its revenues derive mainly from its operations in the Brazilian market. The consolidated net revenue, in Brazil and abroad, is broken down as follows:

	Consolidated (IFRS and BR GAAP)	
	2011	**2010**
Brazil	2,917,752	2,496,760
Abroad	378	434
Net revenue	**2,918,130**	**2,497,194**

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

	2011	**2010**
Car Rental:		
Depreciation of cars	86,357	78,518
Depreciation of other property and equipment and amortization of intangible assets	23,699	20,766
Fleet Rental:		
Depreciation of cars	115,136	83,356
Depreciation of other property and equipment and amortization of intangible assets	298	258
Franchising:		
Depreciation of other property and equipment and amortization of intangible assets	97	122
Total depreciation and amortization expenses	**225,587**	**183,020**

19. REVENUES

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Gross Revenue	2,239,681	1,912,894	2,989,165	2,559,679
Deductions (taxes on sales and discounts)	(46,340)	(42,569)	(71,035)	(62,485)
Net Revenue	**2,193,341**	**1,870,325**	**2,918,130**	**2,497,194**

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Revenues from rental:				
Cars	976,836	794,438	980,708	802,250
Fleets	-	-	455,048	360,978
Franchising	378	434	14,253	12,062
Cars disposed for fleet renewal	1,216,127	1,075,453	1,468,121	1,321,904
Net Revenue	**2,193,341**	**1,870,325**	**2,918,130**	**2,497,194**

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

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

	Costs				Advertising, selling, general and administrative and other			
	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Cost of cars sold	(1,092,003)	(960,063)	(1,289,466)	(1,152,254)	-	-	-	-
Depreciation of cars	(86,357)	(78,518)	(201,493)	(161,874)	-	-	-	-
Car maintenance, car tax (IPVA), and other	(137,439)	(133,246)	(223,441)	(205,402)	-	-	-	-
Depreciation and amortization of other property and equipment and intangible assets	(13,831)	(13,616)	(13,900)	(13,227)	(9,868)	(7,150)	(10,194)	(7,919)
Payroll and related taxes	(120,643)	(88,688)	(136,102)	(102,570)	(81,513)	(61,199)	(125,720)	(101,219)
Profit sharing	(11,523)	(16,679)	(13,905)	(19,649)	(10,848)	(12,801)	(16,943)	(20,112)
Outside services	(19,900)	(14,652)	(22,776)	(18,266)	(26,669)	(16,553)	(29,026)	(19,184)
Property lease and other	(56,880)	(44,074)	(58,208)	(45,122)	(25,098)	(15,680)	(26,522)	(17,834)
Commissions	-	-	-	-	(16,100)	(12,336)	(17,657)	(14,207)
Advertising	-	-	-	-	(40,363)	(26,219)	(42,604)	(29,072)
Other	(52,260)	(32,843)	(55,869)	(35,035)	(33,871)	(36,061)	(38,597)	(43,967)
	(1,590,836)	**(1,382,379)**	**(2,015,160)**	**(1,753,399)**	**(244,330)**	**(187,999)**	**(307,263)**	**(253,514)**

21. FINANCIAL INCOME (EXPENSES)

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Financial income:				
Other interest income	6,163	3,175	8,104	3,873
Interest income from short-term investments	41,289	15,012	52,227	34,329
	47,452	**18,187**	**60,331**	**38,202**
Financial expenses:				
Interest expense from loans, financing and debentures	(169,490)	(100,674)	(231,049)	(160,644)
Other interest expenses	(7,437)	(6,193)	(8,322)	(7,651)
	(176,927)	**(106,867)**	**(239,371)**	**(168,295)**
Financial expenses, net	**(129,475)**	**(88,680)**	**(179,040)**	**(130,093)**

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Financial assets				
Loans and receivables measured at amortized cost:				
Cash and cash equivalents (Note 4)	597,741	276,923	711,002	415,681
Trade accounts receivable (Note 5)	278,913	225,238	353,440	274,792
Escrow Deposits (Note 14(b))	22,625	21,596	25,020	24,812
Financial liabilities:				
Other financial liabilities (measured at amortized cost):				
Trade accounts payable (Note 10)	415,612	399,878	488,655	442,956
Loans, financing and debentures (Note 12)	1,633,841	1,168,879	2,074,425	1,696,755

(a) Risk management

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

The Company's risk management is conducted by the Audit and Risk Management Committee, a body created in 2007 by the Board of Directors to identify and monitor the main risk factors of the Company. In addition, the risk identification, analysis and monitoring is followed up by the Board of Directors, which has the power to decide on the strategies to be adopted by the Company.

(i) Market risk

The market risk is the risk that the fair value or future cash flows of a certain financial instrument vary due to interest rate changes. The purpose of market risk management is to ensure that the Company is exposed only to acceptable risk levels in the context of its operations.

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

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

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

  As a strategy to manage interest rate risk, Management continuously monitors CDI in order to, if necessary, adjust rental fees to mitigate such fluctuations. In addition, almost the totality of the Company's cash and cash equivalents balance is also indexed to CDI variation.

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

  - As of December 31, 2011, the Company's net debt was R$1,363,423 (see the breakdown of this amount in (b), item (i), below;

  - Market expectation for the base date of December 31, 2011, according to data from the Focus Bulletin issued by the Brazilian Central Bank, is an estimated average effective CDI rate of 9.69%, considered as the probable scenario for 2012, against the effective rate of 11.60% in 2011.

	Consolidated (IFRS and BR GAAP)		
Description	**Probable scenario (*)**	**Scenario I - 25% stress**	**Scenario II - 50% stress**
Net Debt as at 12/31/11	**1,363,423**	**1,363,423**	**1,363,423**
Effective CDI rate in 2011	11.60%	11.60%	11.60%
Estimated annual CDI rate, according to stress scenarios	9.69%	12.11%	14.54%
Effect on financial expenses:			
- according to effective rates	(158,157)	(158,157)	(158,157)
- according to scenarios	(132,116)	(165,111)	(198,242)
Annual (increase)/decrease in financial expenses	**26,041**	**(6,954)**	**(40,085)**

(*) As required by IFRS 7, Management understands that the 9.69% rate is the fairly possible scenario for 2012, according to Focus Bulletin of the Brazilian Central Bank.

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

(ii) Credit risk

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

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/11	**12/31/10**	**12/31/11**	**12/31/10**
Loans and receivables:				
Cash and cash equivalents	597,741	276,923	711,002	415,681
Trade accounts receivable	278,913	225,238	353,440	274,792
	876,654	**502,161**	**1,064,442**	**690,473**

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

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

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

  The Company reduces its credit risk by operating significantly with credit cards on car rental, mainly in transactions with individuals. As at December 31, 2011, one of the three largest credit card companies accounted for 16.9% of the Company's trade accounts receivable balance. The credit risk in transactions with legal entities for the car and fleet rental is reduced by a credit limit granting policy, based on the analysis of the financial position of the customer and on past experience. Customers' financial position is continuously monitored in order to evaluate and adjust, if necessary, the credit limit previously granted. The credit risk in the sale of decommissioned cars is reduced by the use of financing companies and/or lease companies with renowned financial and liquidity capacities.

  In addition, credit risk management includes the analysis of accounts receivable recoverability, in which the necessity of recognizing an allowance for doubtful accounts is evaluated in order to adjust them to their probable realization amounts. This analysis, whose purpose is to assign a risk classification to the customer according to internal criteria defined by Management, takes into consideration the current financial position of the customer, past experience and the position of overdue bills. Therefore, according to the customer risk classification, credits are adjusted to their probable realization amounts through the recognition of an allowance for doubtful accounts, and may be applied both to overdue bills and current bills, depending on the risk classification assigned to the customer. More information about the allowance for doubtful accounts is shown in Note 5.

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

(iii) Liquidity risk

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

The management of the liquidity risk is conducted by the Finance Department and monitored by the Board of Directors. Liquidity risk management is conducted considering fund raising requirements and liquidity management in the short, medium and long terms. The Company manages the liquidity risk by maintaining adequate financial resources available in cash and cash equivalents and by means of credit facilities used to borrow, based on the ongoing monitoring of estimated and actual cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

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

Rating agency	Global	National (Brazil)
Fitch Ratings (*)	BBB- / Stable	AA+(bra) / Stable
Moody's (*)	Baa3 / Stable	Aa1.br / Stable
Standard & Poors'	BB+ / Stable	brAA / Stable

(*) Localiza is assigned investment grade by *Fitch Ratings* and *Moody's*.

The analysis of the undiscounted contractual cash flows of loans, financing and debentures, using the interest rate contracted for each transaction and SELIC of 11.00% (Central Bank's policy rate) as at December 31, 2011 is as follows:

	Individual (BR GAAP)						
	2012	2013	2014	2015	2016	2017	Total
Debt:							
In local currency - (R$):							
BNDES	381	-	-	-	-	-	**381**
Debentures - 2nd issue	89,559	81,410	74,277	-	-	-	**245,246**
Debentures - 4th issue	67,434	64,807	98,239	90,438	87,377	129,281	**537,576**
Debentures - 5th issue	60,851	60,682	60,682	60,243	295,030	264,965	**802,453**
BCN	2,736	7,351	17,332	11,823	-	-	**39,242**
CCN	21,758	56,496	72,029	85,162	21,152	-	**256,597**
Leases	2,153	1,362	-	-	-	-	**3,515**
In foreign currency - (US$):							
Foreign currency loan	2,801	2,809	2,786	47,143	391,998	45,286	**492,823**
Total	**247,673**	**274,917**	**325,345**	**294,809**	**795,557**	**439,532**	**2,377,833**

	Consolidated (IFRS e BR GAAP)								
	2012	2013	2014	2015	2016	2017	2018	2019	Total
Debt:									
In local currency - (R$):									
BNDES	381	-	-	-	-	-	-	-	**381**
Debentures - 2nd issue	89,559	81,410	74,277	-	-	-	-	-	**245,246**
Debentures - 4th issue	67,434	64,807	98,239	90,438	87,377	129,281	-	-	**537,576**
Debentures - 5th issue	60,851	60,682	60,682	60,243	295,030	264,965	-	-	**802,453**
Debentures - 1st issue Total Fleet	38,327	139,345	126,347	113,183	-	-	-	-	**417,202**
BCN	2,736	7,351	17,332	11,823	-	-	-	-	**39,242**
CCN	37,954	71,975	100,508	111,997	40,518	30,544	35,278	58,278	**487,052**
Leases	4,464	3,970	-	-	-	-	-	-	**8,434**
In foreign currency - (US$):									
Foreign currency loan	2,801	2,809	2,786	47,143	391,998	45,286	-	-	**492,823**
Total	**304,507**	**432,349**	**480,171**	**434,827**	**814,923**	**470,076**	**35,278**	**58,278**	**3,030,409**

(b) Capital Management

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

- ensure the operating continuity of the Company;
- ensure a robust credit rating; and
- maximize shareholders' gains.

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

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

(i) Debt ratio

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

The table below shows the Company's debt ratios as at December 31, 2011 and 2010:

	Consolidated (IFRS and BR GAAP)	
	2011	2010
Short and long term indebtedness (Note 12)	2,074,425	1,696,755
Cash and cash equivalents (Note 4)	(711,002)	(415,681)
Net debt	**1,363,423**	**1,281,074**
Shareholders' Equity	1,120,583	898,742
Indebtedness level	**1.22**	**1.43**

(c) Fair value of financial instruments:

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

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

	Individual (BR GAAP)				Consolidated (IFRS and BR GAAP)			
	Carrying amount		Fair value		Carrying amount		Fair value	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Other financial liabilities:								
Loans, financing and debentures	1,633,841	1,168,879	1,634,257	1,161,779	2,074,425	1,696,755	2,074,841	1,688,977

In the opinion of the Company's Management, the carrying amounts of the financial instruments, such as cash and cash equivalents, trade accounts receivable and trade accounts payable, recognized in the individual and consolidated financial statements at its carrying amounts approximate their respective fair values, as the maturity dates of most balances are close to the balance sheet date.

The Company does not have financial assets or financial liabilities stated at fair value and, therefore, it does not present the measurement of fair value by hierarchical level.

(d) Derivatives

As stated in Note 12(f), as at December 31, 2011, the Company is part of two swap transactions (plain vanilla) only for purposes of protection against the respective foreign currency-denominated loans; both transactions are entered into with large size financial institutions.

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

						Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)		
						12/31/2011		
				Rates		Notional amount		(Payables)/ receivables
Swap transaction	Contracting	Maturity	Counterparty	Asset	Liability	R$ thousand	US$ thousand	R$ thousand
US dollar x Brazilian reais	06/29/10	05/25/16	*Itaú BBA S.A.*	US dollar fluctuation + coupon of 6.44% p.a.	114.7% of the CDI fluctuation	170,000	95,506	(7,733)
US dollar x Brazilian reais	11/16/11	08/16/17	*Bank of America*	US dollar fluctuation + coupon of 1.60% p.a. + 3-month LIBOR	102.5% of the CDI fluctuation	123,000	75,000	16,359

Payables/receivables are presented together with the balances of the related loans, as mentioned in Note 12(f). The Company does not conduct transactions involving financial instruments for speculative purposes. Except for these two swap transactions, the Company does not have any other derivative financial instruments.

23. FINANCE LEASES

As at December 31, 2011, the Company has finance leases as follows:

(i) Aircraft

Localiza has a finance lease relating to a Cessna aircfrat, model 550 (Citation Bravo), for the exclusive use of the Company's management, as defined in a Board of Directors' meeting. This aircraft was accounted for as part of Localiza's property and equipment (lessee), as in Note 8, and its useful life was estimated at 10 years. The agreement was made with Bradesco Leasing S.A - Arrendamento Mercantil, with a 36-month term counted from the delivery of the asset, which occurred in July 2010 and option to purchase the asset at the end of the lease term, adjusted by CDI plus spread of 2.33% p.a. The guaranteed residual value was paid in advance upon receipt of the asset.

(ii) Cars

The subsidiary Total Fleet owns 136 fleet cars acquired under finance leases. These cars were accounted for as part of its property and equipment and are subject to an average depreciation rate of 11.7% per year. The agreements were entered into in 2011 with *Santander Leasing S.A - Arrendamento Mercantil*, with a 24-month term counted from the delivery of the asset, and

option to purchase the asset at the end of the lease term, adjusted by CDI plus spread from 1.70% p.a. to 1.89% p.a. The guaranteed residual value will be paid after the end of the lease term.

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

	Individual (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Property and equipment:				
Cars	-	-	4,165	-
Aircraft	5,114	5,710	5,114	5,710
	5,114	**5,710**	**9,279**	**5,710**

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

	Individual (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	12/31/11	12/31/10	12/31/11	12/31/10
Minimum payments:				
Future amount	3,515	4,652	8,434	4,652
Unearned interest	(340)	(66)	(958)	(66)
Present value	**3,175**	**4,586**	**7,476**	**4,586**

As at December 31, 2011, the maturity of the minimum future payments of finance leases and their respective present values are as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	Future payments	Present value	Future payments	Present value
Period after balance sheet date:				
Up to 12 months	2,153	2,190	4,464	4,304
Between 13 and 24 months	1,362	985	3,970	3,172
Total	**3,515**	**3,175**	**8,434**	**7,476**

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

Certain accelerated maturity events similar as those set forth in the 4th issuance of debentures apply to this transactions, except for financial ratios, which are not applicable to these transactions.

24. RENTAL OBLIGATIONS

(a) Real estate rental

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

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

In the year ended December 31, 2011, real estate rental expenses totaled R$73,794 (R$53,513 as at December 31, 2010).

The minimum amounts payable for the remainder of the lease terms through December 31, 2011 are as follows:

Years	Concessions in airports	Downtown branches, stores and parking lots	Total
2012	17,631	33,743	51,374
2013	14,550	30,073	44,623
2014	10,631	22,852	33,483
2015	8,051	14,915	22,966
2016	2,841	11,001	13,842
2017 and onwards	127	37,392	37,519
Total	**53,831**	**149,976**	**203,807**

(b) Minimum guaranteed revenue from fleet rental

The minimum guaranteed amounts of rental payments to be received by subsidiary Total Fleet are as follows:

Years	Revenues
2012	406,462
2013	247,590
2014	60,802
2015	1,622
Total	**716,476**

25. PENSION PLAN

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

The pension plan was established as a defined contribution plan and, therefore, there are no actuarial and investment risks to be assumed by the Company as its sponsor. Consequently, no actuarial valuation is required and there is no possibility of recognizing actuarial gains or losses. Under this plan's regulations, the cost is shared between the employer and the employees, where the Company matches the employee's contribution, which varies according to a contribution scale based on salary ranges from 1% or 5% of the employee's compensation.

Up to December 31, 2011, contributions made totaled R$599 in the Company and R$766 in the consolidated, which were allocated to "Cost", "Advertising and selling expenses" and "General and administrative expenses" in the income statement, according to the functional allocation of the respective employees.

26. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for disclosure by the Executive Board on March 6, 2012.


solution
Localiza,
the largest
car rental network
in Latin America.
Localiza
rent a car