



2012 Financial Statements

Localiza

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











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

Localiza Rent a Car S.A. and Subsidiaries

Financial Statements
for the Years Ended
December 31, 2012 and 2011 and
Independent Auditor's Report

PricewaterhouseCoopers Auditores Independentes

EXECUTIVE SUMMARY

1 - MESSAGE FROM THE CEO

The Brazilian economy experienced a strong slowdown in 2012 with GDP growth of only 0.9%. In addition, the federal VAT (IPI) reduction had a direct impact on car depreciation.

Even in this moderate economic growth scenario, the Company had its business volume grown many times the GDP growth. Thanks to our business model supported by an integrated platform, which allows us to achieve greater flexibility, we adjusted the Company in response to the demand and to the new business environment.

We have increased the Company's distribution network by increasing the number of car rental locations and stores for the sale of our pre-owned cars (Seminovos), thus strengthening our competitive advantage and preparing the Company for continuing growth.

Major investments were made in information technology and in the development of our employees and management personnel, aiming at higher efficiency, productivity and customer satisfaction rates.

The Company maintained its investment grade rating; improved its indebtedness level; held a strong cash position and obtained better free cash flow generation.

We will be careful in our 2013 strategies, for which the scenario is still uncertain. This year, efficient costs management became a priority for the Company.

Localiza has clear medium and long-term strategies and is duly prepared to sustain profitable growth. We believe that the Company will benefit from the investments that will be made in infrastructure and will continue to be the best prepared player for the consolidation of the fragmented car rental market in Brazil.

Salim Mattar - CEO

2 - MACROECONOMIC SCENARIO

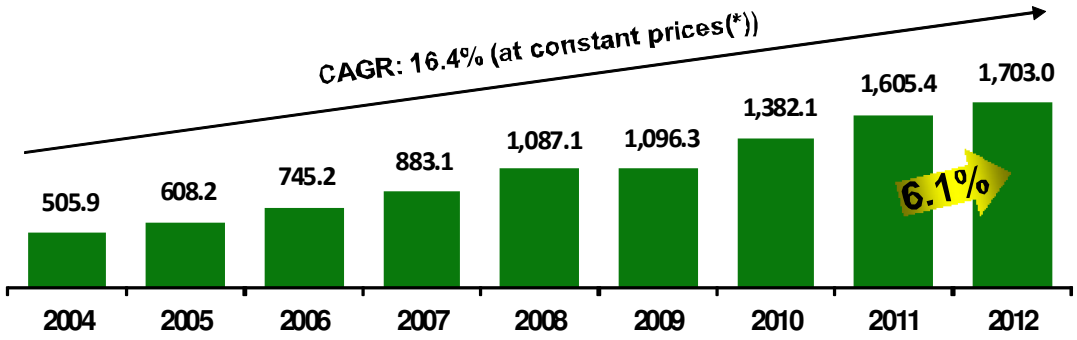
Notwithstanding the incentives of the Federal Government, which provided fiscal and tax exemptions through IPI reduction; better financing rates for families and companies; and the reduction of the SELIC – basic interest rate (from August 2011 until October 2012, the Central Bank reduced the SELIC from 12.50% to 7.25%), the GDP growth, which at the beginning of 2012 was estimated in 3.3%, reached 0.9%.

It seems that the Brazilian growth pattern has been changing over recent years. Credit and consumption are not having the same impact on GDP. Accordingly, certain factors can explain the difference between estimates and actual figure: a more challenging external environment, with the prospect of low growth for a long period of time in important

economies reflects into an environment of uncertainties and risks, undermining confidence in the economy and failure to encourage investments.

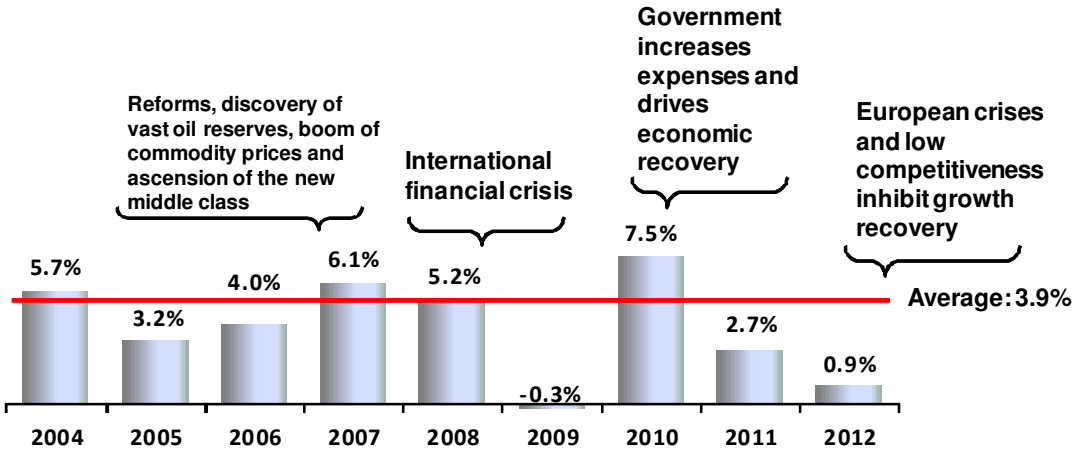
Elasticity Revenue x GDP

1) Rental revenues



(*) Constant prices: calculated considering 2012 as the base year and adjusting prior years up to 2012 for inflation based on the Extended Consumer Price Index (IPCA).

2) Brazilian GDP



Source: Folha de São Paulo, March 2, 2013

The Company's rental revenues had real growth of 4.2x GDP

Brazil in 2013

Market expects the incentives of the economic policy to prove effective in the next quarters and that the country will grow by about 3% in 2013. The new Brazilian macroeconomic environment with low interest rates, reduced finance charges for companies and families and the depreciation of the exchange rate, is likely to encourage the resumption of investments.

Accordingly, if some factors are present, such as a drop in the risks of rupture in the international scenario, GDP growth in 2013 may favor a recovery of businessmen confidence, the resumption of public and private investments, in addition to a more robust domestic demand, encouraged by the continuing social mobility (middle class growth), income increase and moderate credit expansion.

On the other hand, the main risks that could limit growth in 2013 would be the European fiscal crisis dragging on for a long time in addition to the "fiscal cliff" in the U.S. and low resumption of domestic investments.

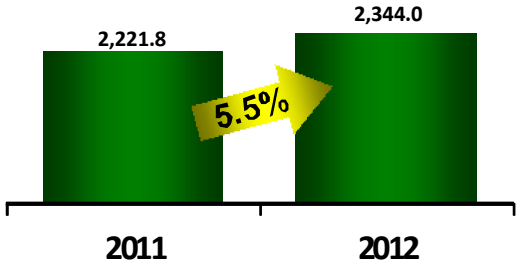
The table below presents the actual and projected main macroeconomic indicators of the Brazilian economy:

	Actual (*)			Projected (**)	
	2010	2011	2012	2013 E	2014 E
GDP (% of growth)	7.53	2.73	0.90	3.10	3.60
IPCA (%)	5.91	6.50	5.84	5.69	5.50
Interest Rate (SELIC - average)	9.79	11.61	8.48	7.25	8.25
Interest Rate (SELIC - end of period)	10.75	11.00	7.25	7.25	8.25
Exchange Rate R$/US$ (average)	1.76	1.67	1.95	2.00	2.04

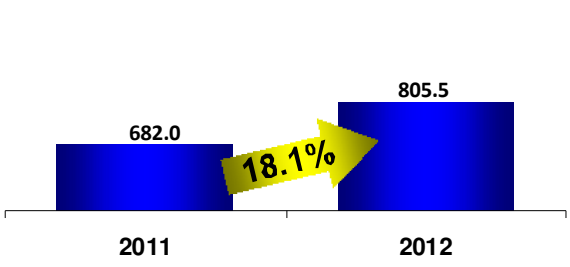
(*)Focus - Market Report dated 12/28/12 and other indicators, IBGE, BCB and IPEADATA;
(**) Focus - Market Report dated 02/22/13.

3 - 2012 HIGHLIGHTS - IN IFRS

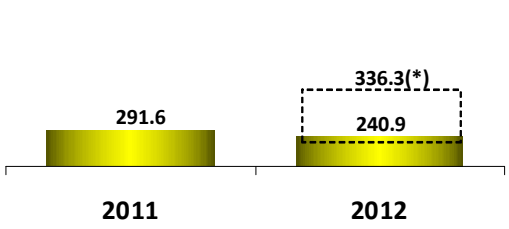
Net revenue - Car rental
R$ million



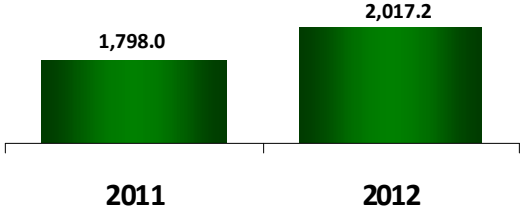
Net revenue – Fleet rental
R$ million



Consolidated net income
R$ million



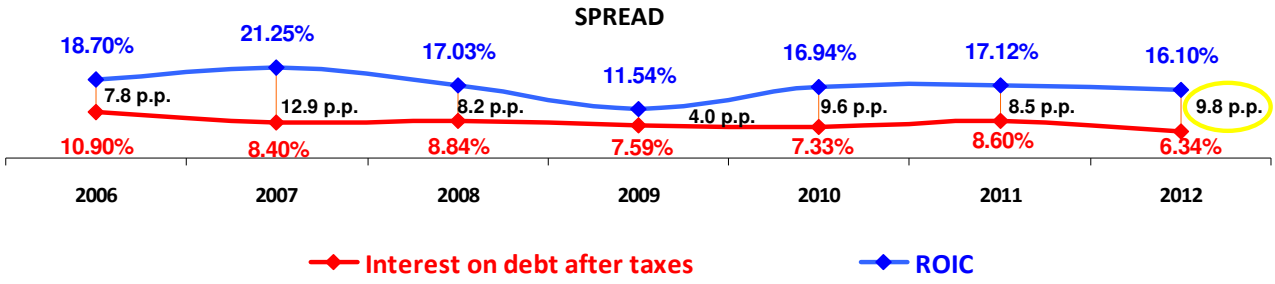
Cash generation from operating activities
R$ million



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

4 - Return on Invested Capital (ROIC)(*) x Cost of Debt

The Company presented a spread of 9.8p.p. on the return on invested capital over the cost of debt after taxes in 2012.



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

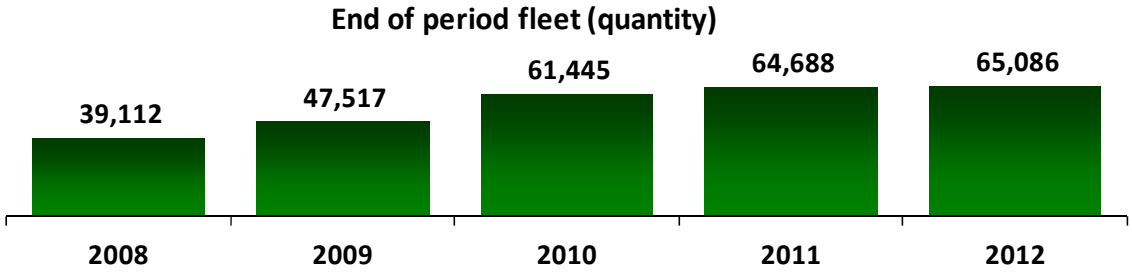
5 - BUSINESS OVERVIEW

The Company is the largest car rental company in South America in number of rental locations, with 524 car rental branches in nine countries, of which 272 are operated by Localiza and 252 by franchisees. As of December 31, 2012, the Integrated Business Platform's fleet consisted of 111,735 cars, of which 97,190 were owned cars and 14,545 franchisees' cars. Localiza's database contains 3.3 million customers, with a satisfaction level of 96.5%. The car rental branches are located in Brazil, Argentina, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay. According to the Brazilian Car Rental Association (ABLA), the car rental market in Brazil is comprised of roughly 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:

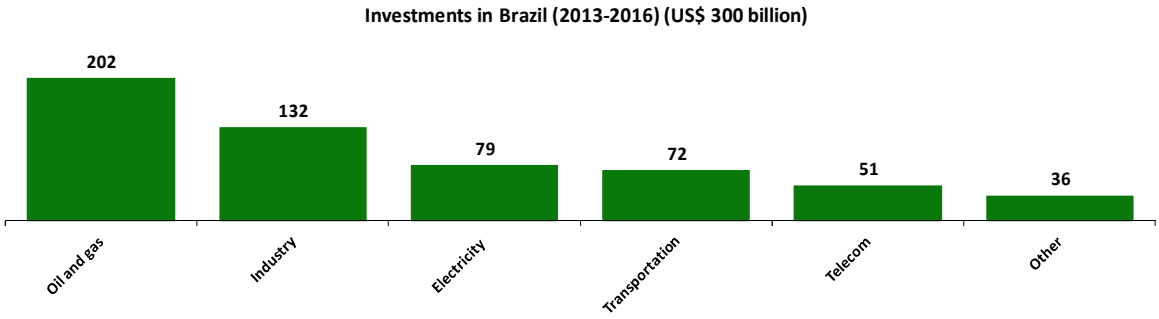
- ***Car Rental*:** the Company rents cars through its rental locations on and off-airports. Cars are rented by corporations and individuals on business and leisure trips to meet their car rental needs outside their places of residence, as well as by insurance companies and car makers that offer replacement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

As of December 31, 2012, the fleet of the Car Rental Division consisted of 65,086 cars, representing an increase of 0.62% compared to 64,688 cars on December 31, 2011. The chart below shows the changes in the Car Rental Division's fleet over the last five years:



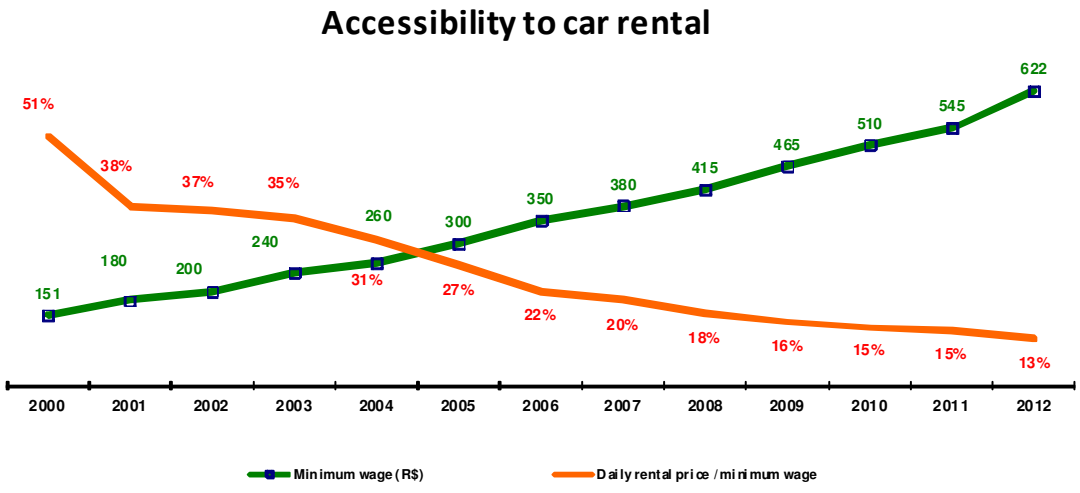
- ***Main car rental growth drivers:***

a) Brazil has a great need for public and/or private investments that generate car rental demand.



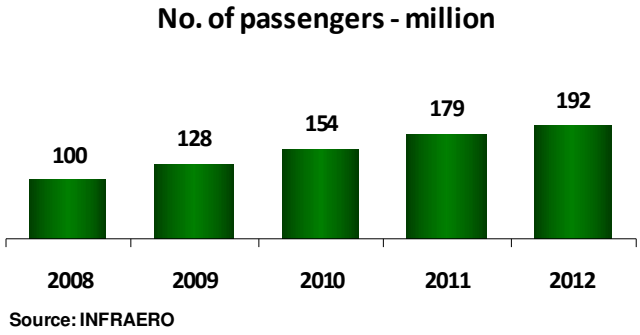
Source: BNDES

b) Income increases and maintenance of the rental fees favor accessibility to car rental. Since 2000, the average daily fee has dropped from 51% of the minimum wage to 13%.

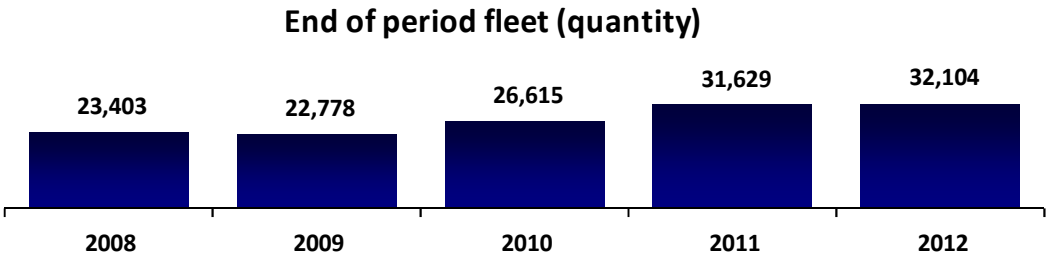


Source: IPEADATA

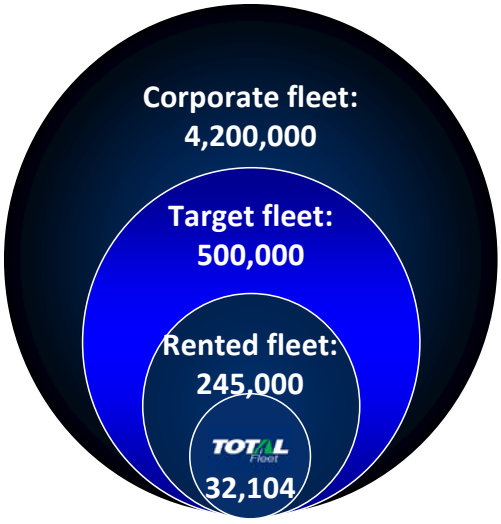
c) Demand for car rental at airports is directly connected to the air traffic, which has been growing steadily.



***Fleet Rental*:** the Fleet Rental Division, through its subsidiary Total Fleet, rents fleets under long-term agreements (generally 24 or 36 months). The fleet of this division is adapted to the customers' needs and requests and, for that reason, its cars are more diversified in terms of models, colors and brands than the Car Rental Division fleet. At the end of the rental agreements, Total Fleet sells a portion of the decommissioned cars used in the fleet rental directly to final consumers and a portion to car dealers. The chart below shows changes in the Company's fleet over the last five years:



Fleet outsourcing penetration in Brazil is very low (5.4%) compared with more developed markets.



Source: Datamonitor, ABLA and Localiza.

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.

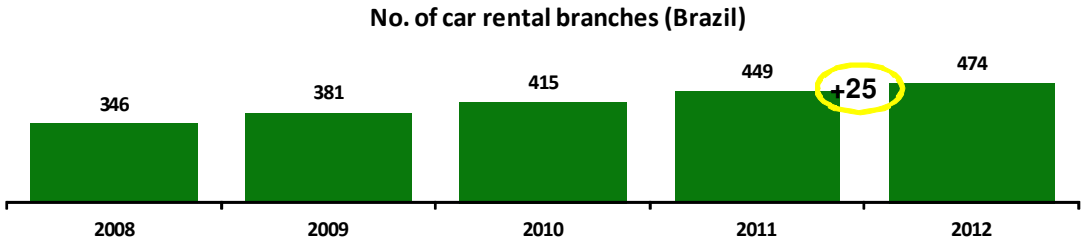
The table below shows the number of the Company's franchised branches per country on December 31, 2011 and 2012.

	Number of branches	
Country	**2011**	**2012**
Brazil	202	202
Argentina	19	21
Bolivia	1	1
Chile	-	1
Colombia	12	12
Ecuador	6	6
Paraguay	5	5
Peru	1	1
Uruguay	3	3
Total	**249**	**252**

Geographic Distribution of the Car Rental Division

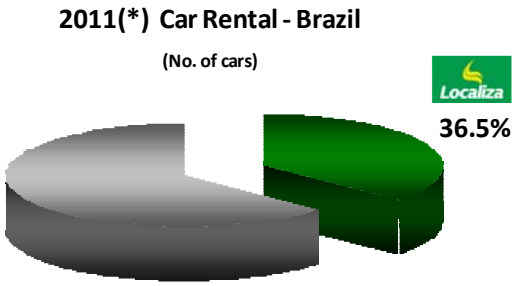


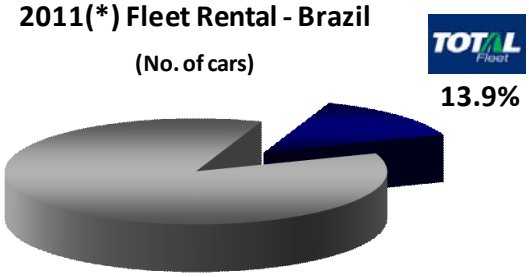
The number of rental locations and car sales stores in Brazil in the last five years is as follows:





Market share of the Car Rental and Fleet Rental Divisions:





(*) Data from the latest ABLA - Brazilian Car Rental Companies' Association release

6 - CONSOLIDATED INCOME ANALYSIS

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

	2011		2012		Variation
	In R$ million	% of Net Revenue	In R$ million	% of Net Revenue	%
Net Revenue:					
Car Rental	2,221.8	*76.1*	2,344.0	*74.0*	5.5
Fleet Rental	682.0	*23.4*	805.5	*25.4*	18.1
Franchising	14.3	*0.5*	17.3	*0.6*	21.0
Total Net Revenue	***2,918.1***	***100.0***	***3,166.8***	***100.0***	8.5
Costs:					
Car Rental	(1,578.2)	*-54.1*	(1,777.3)	*-56.1*	12.6
Fleet Rental	(430.1)	*-14.7*	(547.5)	*-17.3*	27.3
Franchising	(6.9)	*-0.3*	(8.2)	*-0.3*	18.8
Total Costs	***(2,015.2)***	***-69.1***	***(2,333.0)***	***-73.7***	15.8
Gross Profit	**902.9**	***30.9***	**833.8**	***26.3***	-7.7
Operating Expenses:					
Selling	(224.4)	*-7.7*	(266.1)	*-8.4*	18.6
General, administrative and other	(82.8)	*-2.8*	(101.9)	*-3.2*	23.1
Total Operating Expenses:	**(307.2)**	***-10.5***	**(368.0)**	***-11.6***	19.8
Income before financial expenses	**595.7**	***20.4***	**465.8**	***14.7***	-21.8
Financial expenses, net	(179.0)	*-6.1*	(138.7)	*-4.4*	-22.5
Income before income tax and social contribution	**416.7**	***14.3***	**327.1**	***10.3***	-21.5
Income tax and social contribution	(125.1)	*-4.3*	(86.2)	*-2.7*	-31.1
Net income	**291.6**	***10.0***	**240.9**	***7.6***	**-17.4**

The analysis of the main changes between 2011 and 2012 is as follows:

Net revenues:

Net revenues increased by 8.5%, equivalent to a growth of R$248.7 million, from R$2,918.1 million in 2011 to R$3,166.8 million in 2012. The main factors that contributed to the growth in net revenues are as follows:

- *Car Rental:* in 2012, net revenues grew by 5.5% on account of the growth in: i) rental revenues by 11.5%, from R$980.7 million in 2011 to R$1,093.7 million in 2012, due to the 7.5% growth in the daily rental volume and 3.4% in the average rental rate, due to revenues in different rental contracts composition; and ii) revenues from the sale of decommissioned cars for fleet renewal by 0.7%, due to the 7.6% growth in the number of cars sold for fleet renewal despite the 7.8% decrease in the average price of the cars sold, which suffered the impact of the drop in the price of new cars due IPI (VAT) reduction of up to 7p.p..

- *Fleet Rental:* 18.1% growth in net revenues by growing: i) rental revenuesby 17.7% from R$455.0 million in 2011 to R$535.7 million in 2012, due to the 10.4% growth in the daily rental volume and 5.7% in the average rental rate; and ii) revenues from the sale of decommissioned cars for fleet renewal by 18.8%, due to the 32.8% growth in the number of cars sold for fleet renewal, despite the 7.8% decrease in the average price of the cars sold, which suffered the impact of the price of new cars decrease due the IPI reduction of up to 7p.p..

Costs:

Company's consolidated costs increased 15.8%, from R$2,015.2 million in 2011 to R$2,333.0 million in 2012. The costs increased 4.6p.p., from 69.1% in 2011 to 73.7% in 2012.

The main factor that contributed to the increase in costs was an increase in depreciation expense of R$144.5 million due to IPI reduction on new cars. In the Car Rental Division depreciation expenses went up from R$86.4 million in 2011 to R$212.7 million in 2012, an increase of 146.2%. In the Fleet Rental Division, depreciation expenses in 2011 amounted to R$115.1 million compared to R$164.2 million in 2012, an increase of 42.7%.

Additional depreciation resulting from the price of new cars decrease due to the IPI drop for the cars on December 31, 2012, is as follows:

R$ million

Division					
	9M12	4Q12	Subtotal	Estimate as from 2013 (*)	2013 estimate
Car Rental	105.0 90.6%	6.2 5.3%	111.2 95.9%	4.8 4.1%	116.0 100.0%
Fleet Rental	25.7 39.8%	7.6 11.8%	33.3 51.6%	31.2 48.4%	64.5 100.0%
Consolidado	**130.7**	**13.8**	**144.5**	**36.0**	**180.5**

(*) The estimated additional depreciation of R$36 million will be prospectively recorded in the beginning of 2013, and may be reviewed due to future changes in the market estimated residual value, including the end of the reduced IPI on new cars.

Other factors that caused cost increase were: (i) property lease amount adjustments and (ii) salary adjustments.

Operating expenses:

Total operating expenses increased 19.8%, from R$307.2 million in 2011 to R$368.0 million in 2012. Such growth was due to the: i) 18.6% increase in selling expenses, from R$224.4 million in 2011 to R$266.1 million in 2012, on account of the higher expenditures incurred with advertising for the sale of decommissioned cars for fleet renewal, and the new stores rental expenses , which has been increasing above inflation, and ii) 23.1% growth in general, administrative and other expenses, from R$82.8 million in 2011 to R$101.9 million in 2012 due to increase in the new stores rental expenses, which have increased above

inflation and salary adjustments.

Operating expenses over net revenues remained almost unchanged, having increased 1.1p.p., accounting for 10.5% in 2011 and 11.6% in 2012.

Net financial expenses:

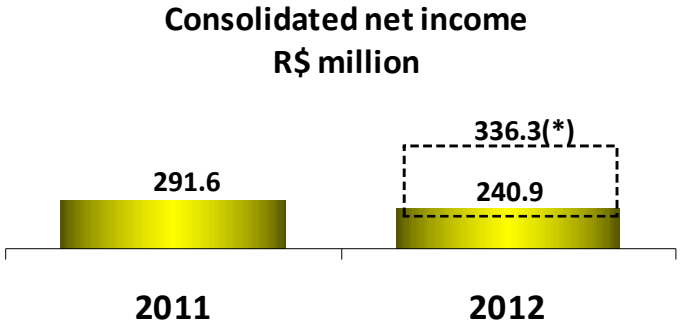
Net financial expenses decreased by 22.5%, mainly due to 3.2p.p. decrease in the benchmark interest rate (CDI), from 11.6% on average in 2011 to 8.4% in 2012 and the net debt reduction .

Income tax and social contribution:

Income tax and social contribution expenses decreased 31.1% due to the significant payments of interest on equity as compared to income before income tax and social contribution.

Net income:

Consolidated net income decreased 17.4%, corresponding to R$50.7 million, from R$291.6 million in 2011 to R$240.9 million in 2012. The main factor that caused this drop was the depreciation of cars due to the IPI reduction on new cars. Excluding the additional depreciation of R$144.5 million for the year and net of the income tax effect, the Company's net income in 2012 would be R$336.3 million, 39.6% higher than the income generated.



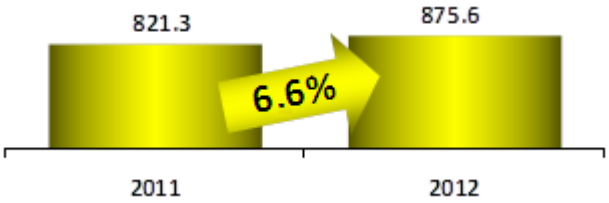
(*) 2012 proforma net income excluding additional depreciation due to IPI reduction in the amount of R$144.5 million in the year, net of income tax effect would be R$336.3 million.

EBITDA:

The reconciliation of net income and EBITDA is as follows:

	2011	2012
Net Income	**291.6**	**240.9**
Cars and other depreciation	225.6	409.8
Net financial expenses	179.0	138.7
Income tax and social contribution	125.1	86.2
EBITDA	**821.3**	**875.6**

Consolidated EBITDA - R$ million



Free Cash Generated – R$ million



Free cash generated - R$ million	2011	2012
EBITDA	**821.3**	**875.6**
Used car sale net revenue	(1,468.1)	(1,520.0)
Depreciated cost of cars sold	1,328.6	1,360.2
(-) Income Tax and Social Contribution	(83.0)	(100.9)
Change in working capital	(83.9)	37.1
Cash provided before *capex*	**514.9**	**652.0**
Used car sale net revenue	1,468.1	1,520.0
Capex of car - renewal	(1,504.5)	(1,563.3)
Net capex for fleet renewal	**(36.4)**	**(43.3)**
Fleet renewal - quantity	50,772	56,644
Capex - other property and equipment, net	**(63.0)**	**(80.2)**
Free cash flow before growth and before interest	**415.5**	**528.5**
Capex of car for fleet (growth) reduction	(272.0)	(55.5)
Change in accounts payable to car suppliers (capex)	32.7	(116.9)
Net capex for fleet growth	**(239.3)**	**(172.4)**
Fleet increase - quantity	9,178	2,011
Free cash flow after growth and before iterest	**176.2**	**356.1**

7 - CONSOLIDATED BALANCE SHEET ANALYSIS

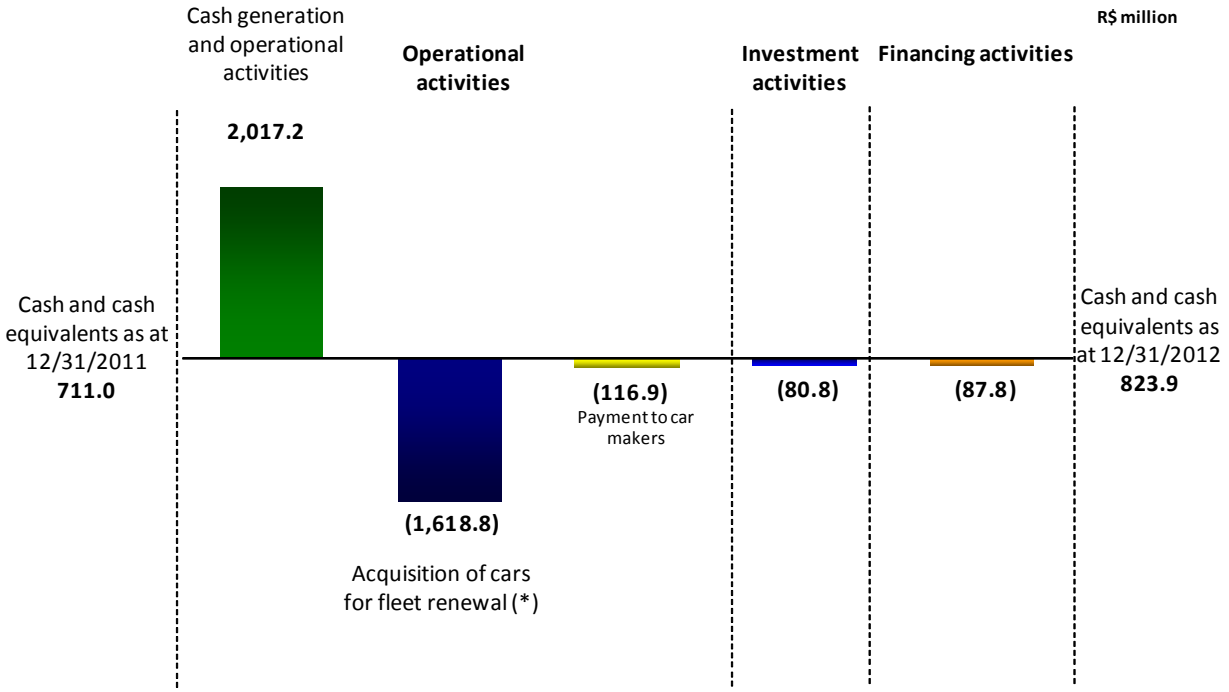
The Balance Sheet below has been prepared in accordance with IFRS.

	2011		2012		Variation
	In R$ million	% of Total Assets	In R$ million	% of Total Assets	%
ASSETS					
Current assets					
Cash and cash equivalents	711.0	17.7	823.9	20.4	15.9
Trade accounts receivable	353.4	8.8	361.1	8.9	2.2
Other current assets	54.2	1.4	50.0	1.2	-7.7
	1,118.6	27.9	1,235.0	30.5	10.4
Decommissioning cars for fleet renewal	29.0	0.7	13.3	0.4	-54.1
Total current assets	**1,147.6**	**28.6**	**1,248.3**	**30.9**	**8.8**
Noncurrent assets					
Long-term assets	44.9	1.1	51.6	1.3	14.9
Property and equipment					
Cars	2,652.7	66.2	2,534.3	62.6	-4.5
Other property and equipment	141.6	3.5	171.0	4.2	20.8
Intangible assets	22.8	0.6	40.7	1.0	78.5
Total noncurrent assets	**2,862.0**	**71.4**	**2,797.6**	**69.1**	**-2.3**
Total Assets	**4,009.6**	**100.0**	**4,045.9**	**100.00**	**0.9**

	2011		2012		Variation
	In R$ million	% of Total Liabilities	In R$ million	% of Total Liabilities	%
LIABILITIES AND SHAREHOLDER´S EQUITY					
Current liabilities					
Trade accounts payable	488.7	12.2	356.2	8.8	-27.1
Social and labor obligations	58.7	1.4	53.2	1.3	-9.4
Loans, financing and debentures	130.9	3.3	210.1	5.2	60.5
Other	115.5	2.9	114.7	2.9	-0.7
Total Current Liabilities	**793.8**	**19.8**	**734.2**	**18.2**	**-7.5**
Noncurrent liabilities					
Loans, financing and debentures	1,943.5	48.5	1,845.0	45.6	-5.1
Other noncurrent liabilities	151.7	3.8	142.0	3.5	-6.4
Total noncurrent liabilities	**2,095.2**	**52.3**	**1,987.0**	**49.1**	**-5.2**
Total liabilities	**2,889.0**	**72.1**	**2,721.2**	**67.3**	**-5.8**
Shareholders' equity	**1,120.6**	**27.9**	**1,324.7**	**32.7**	**18.2**
Total liabilities and shareholders' equity	**4,009.6**	**100.0**	**4,045.9**	**100.0**	**0.9**

The main changes in the assets and liabilities accounts occurred in the cash and cash equivalents, property and equipment cars, loans and financing as well as shareholders' equity captions.

Cash and cash equivalents: cash and cash equivalents totaled R$823.9 million as of December 31, 2012, representing 20.4% of total assets and posted a growth of 15.9% compared to the balance of R$711.0 million as of December 31, 2011, which represented 17.7% of total assets as of that year. Cash flow from the Company's operating, investing and financing activities is as follows:



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

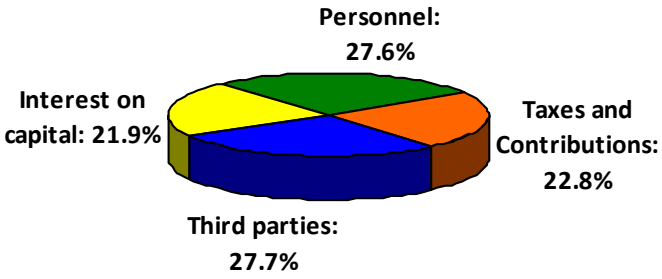
Shareholders' equity: The Company's shareholders' equity increased 18.2%, from R$1,120.6 million in 2011 to R$1,324.7 in 2012 due to management's proposal to retain profits in the amount of R$163.2 million.

The details of the Company's property and equipment cars and loans and financing accounts are stated in items 9 and 11, respectively.

8 - STATEMENT OF VALUE ADDED (DVA)

The Value Added Statement (DVA) evidences the Company's significance to society and its generation of wealth, with R$1,097.9 million in 2012 compared to R$1,140.8 million in 2011.

Distribution of value added in 2012

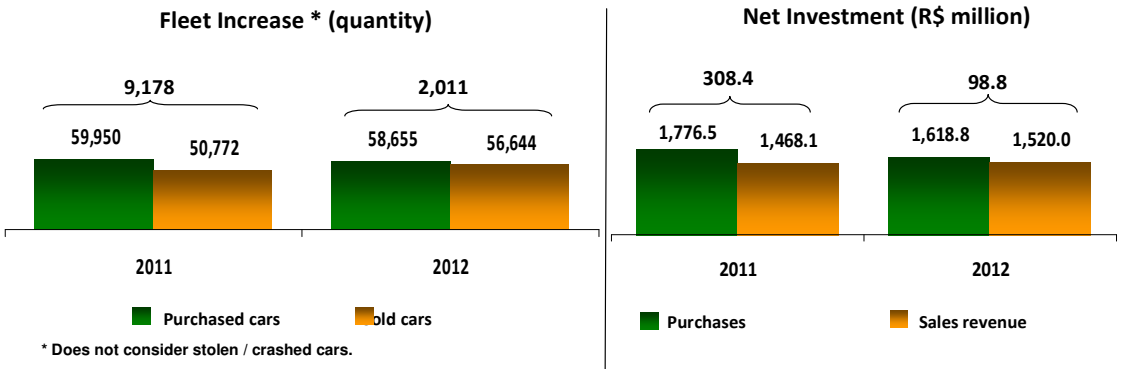


9 - FLEET INVESTMENTS

As of December 31, 2012, the consolidated fleet from Localiza consisted of 97,190 own cars, of which 65,086 were from the Car Rental Division and 32,104 cars were from the Fleet Rental Division. After being used in rental activities, the decommissioned cars are mostly sold to end consumers through the 73 sales points located in 43 cities throughout Brazil.

The number of cars purchased in 2012 was 2.2% lower than in 2011. In 2012, the Company increased its fleet by 2,011 cars, a net investment of R$98.8 million, while in 2011 the net investment amounted to R$308.4 million and the fleet was increased by 9,178 cars. The lower increase in 2012 was due to the Government's measures to support the automotive industry by reducing the IPI on new cars. The market reacted positively to these incentives and car maker inventories were substantially reduced, causing delays in the receipt of new cars, and consequently in the decommissioning of cars for fleet renewal. The Company intended to renew 67,000 thousand cars in 2012 but only 57,000 thousand were renewed. Approximately 10,000 thousand cars will be renewed in 2013. This renewal postponement does not generate a significant impact on the fleet's maintenance costs.

The fleet and net investment made in 2012 are presented in the chart below:

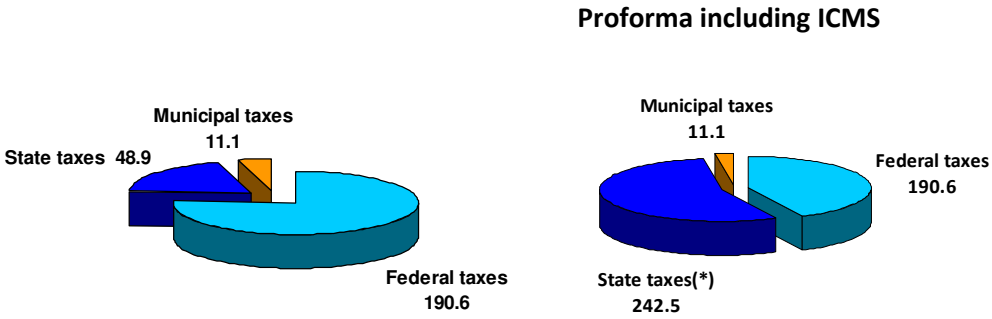


In the normal course of activities, Localiza negotiates with the car makers in the first half of each year and makes investments in its fleet based on its intention to purchase for a period of one and a half years, in order to allow greater flexibility to the orders that will be placed monthly in accordance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

10 - TAXES

Consolidated expenses on taxes, contributions and emoluments in 2012, net of tax credits, amounted to R$250.6 million, of which: i) R$190.6 million accounted for federal taxes; ii) R$48.9 million for state taxes; and iii) R$11.1 million for municipal taxes.

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



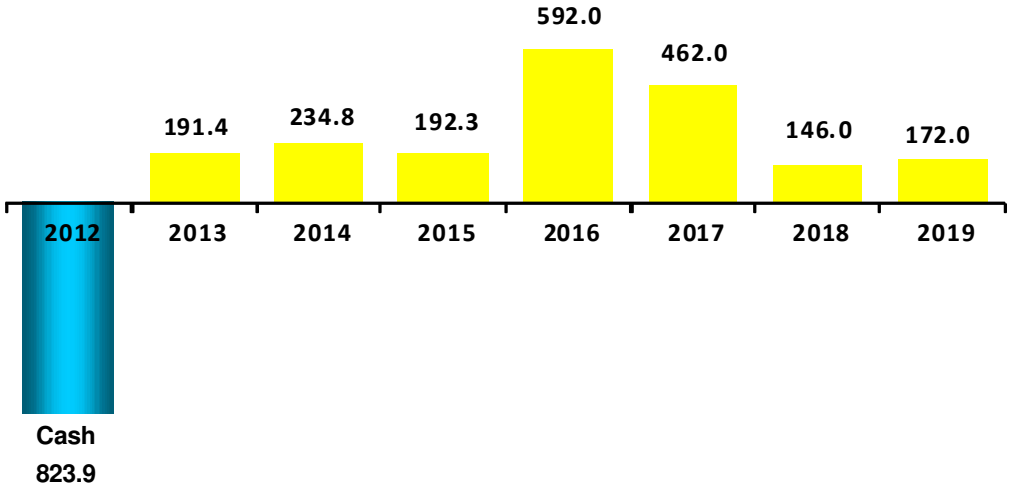
(*) In 2012, the total ICMS paid by the Company, included in the car purchase price accounted for in property and equipment, amounted to R$193.6 million. Considering that the Company is the end consumer, no ICMS credit was recognized.

11 - INDEBTEDNESS

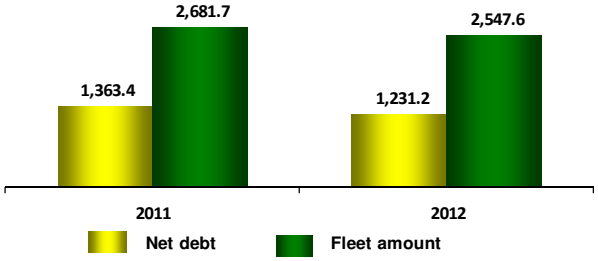
a) Debt Profile (principal)

The charts below summarize the Company's debt (principal) amortization schedule and the cash position as of December 31, 2012, the Company's net debt versus the fleet amount, and the debt indicators. Management believes that the Company has a comfortable debt profile in line with business cycle.

Debt profile as at December 31, 2012 – principal (R$ million)

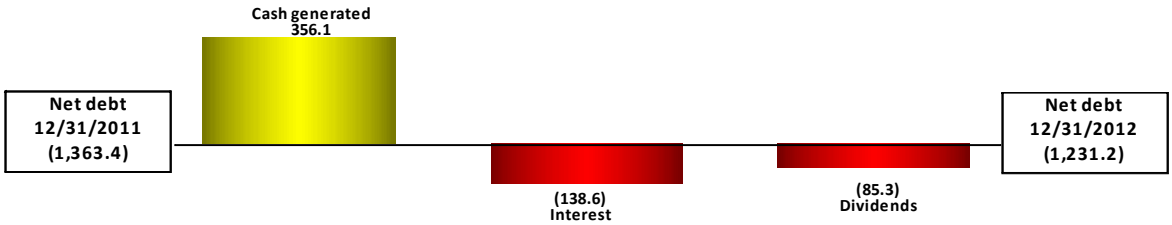


Net debt x Fleet amount– R$ million



BALANCES AT END OF PERIOD	2011	2012
Net debt / Fleet amunt	51%	48%
Net debt / EBITDA (*)	1.7x	1.4x
Net debt / Shareholders' equity	1.2x	0.9x
EBITDA / Net financial expenses	4.6x	6.3x

Changes in net debt up to December 31,2012 – R$ million



b) The main funding and repayments of loans, financing and debentures in 2012 are summarized below:

Type	Funding (in R$ million)	Amortization	Notes
6th issuance of Debentures - Localiza	300.0	-	7-year term
1st issuance of Debentures - Total Fleet	-	(300.0)	Prepayment
2nd issuance of Debentures - Localiza	-	(66.6)	-
4th issuance of Debentures - Localiza	-	(24.0)	-
Other	123.7	(58.0)	-
Total	**423.7**	**(448.6)**	

12 - CAPITAL MARKETS

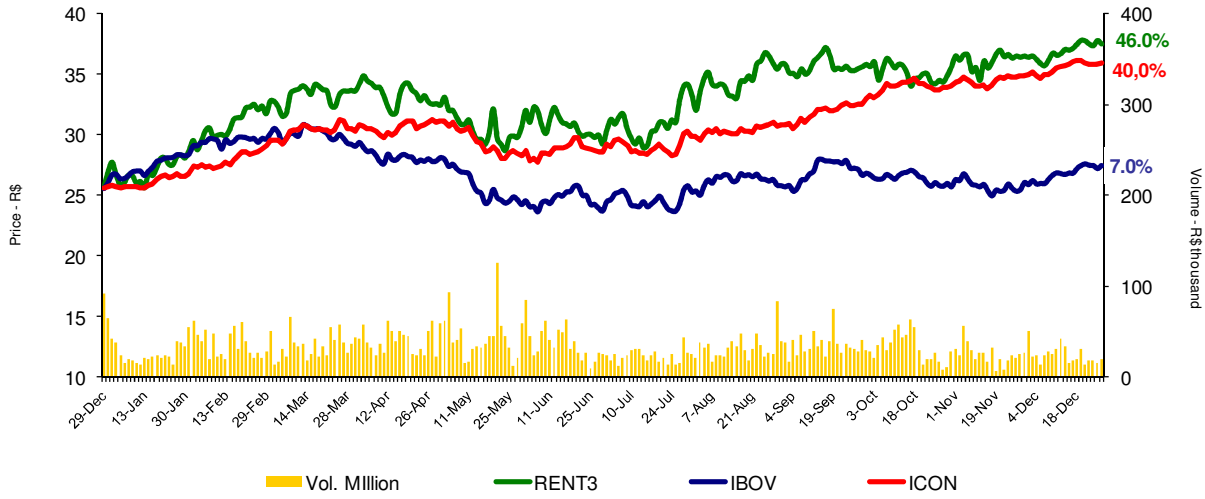
In the beginning of January 2012, Localiza's shares (RENT3) joined Bovespa Index (Ibovespa) and IBrX-50. The Company's entry in these indices reflects the increase in liquidity and marketability and puts the Company in a prominent position along with the most important securities of the Brazilian Stock Exchange.

In 2012, RENT3 was one of the two Brazilian entries among the 50 best shares in the world according to *Morgan Stanley* in the "50 for 2015" report. *Citibank* also pointed out RENT3 as one of the five Brazilian shares for 2012 in the *BRIC Breakout* report. The Exame magazine edition of January 2012 included Localiza among the five best companies of the consumption sector in the article "Where to invest in 2012".

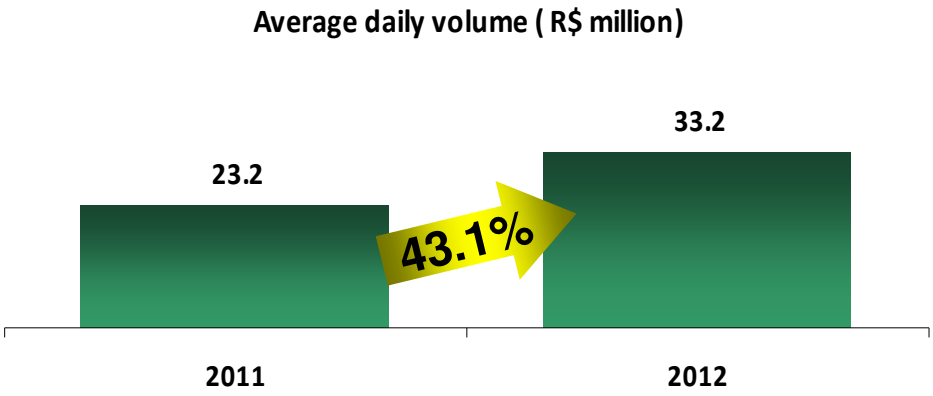
On December 28, 2012, the last trading day of the year, RENT3 price reached R$37.50 (R$25.60 on December 29, 2011), an increase of 46% in the year, while Ibovespa appreciated 7% and ICON 40% in 2012. Since the beginning of trading in May 2005, RENT3 appreciated 878% compared to an appreciation of 152% of the Bovespa Index.

The average daily trading volume of RENT3 increased 43.1%, from R$23.2 million in 2011 to R$33.2 million in 2012.

Performance RENT3 X IBOVESPA X ICON
2012



Source:Bovespa



Source:Bovespa

Corporate Rating

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

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

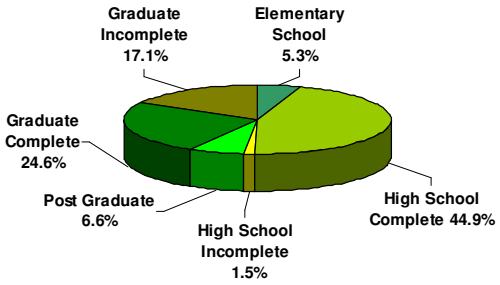
In 2012 the *Fitch Ratings* risk rating agency reclassified Localiza's corporate grade from stable to positive, establishing the Company's investment grade long-term rating as AA+.

13 - PEOPLE MANAGEMENT

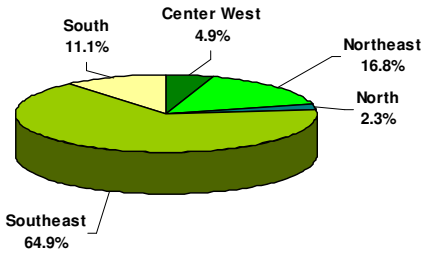
Localiza acknowledges and appreciates its personnel. The Company's Human Resources practices are based on competitive compensation, appreciation of the employees' initiatives, career opportunities, benefits and professional training in order to retain talent.

Staff increased from 5,304 in 2011 to 5,866 in 2012. The profile of the Company's employees, segregated by level of education and geographical region, is as follows:

Education



Employees by region



Benefits and Development

The Company conducts salary and wage surveys on an ongoing basis 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 professional development are Localiza's values. In 2012, 746 employees were promoted, which is 95.3% higher than that of 2011. The Company invested R$6.5 million in training courses, totaling 143,375 hours or about 27 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 addition, the Company has a Pension Plan for employees and Officers and a stock options plan for eligible employees.

In 2012, Localiza launched its third Stock Option Plan, which in turn was split into five individual programs, with annual grants during the period from 2012 to 2016. The number of shares granted established for distribution during the five years of the Plan shall not exceed 2.5% of the Company’s total shares.

In order to take part in the Program, the eligible employee must invest a portion of the profit sharing or annual bonus received in the purchase of shares (RENT3). This portion shall be equal to 25% or 50% of the net amount received (less withholding income tax). Localiza will define annually in each Program a compensation in options.

The options granted may be exercised in full after the third year as from the date of the granting. The Participant in each Program will have a maximum term of three years from the end of the grace period to exercise the right to purchase options in full or in part.

In the 2012 Program, there were 27 eligible employees and for each share invested the Company granted four options, totaling 616,484 options granted.

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

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

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

Human Resources Policies and Practices

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

Localiza continues to operate with satisfactory stability at management levels (supervision, management and senior management). The Company's general turnover was 25.1% in 2012 and 24.4% in 2011. Our Company's growth is secured by talented employees committed to our mission and values, who are also adequately compensated and capable of outstanding performance.

14 - 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 about R$2.5 million in 2012. The following stand out:

INCENTIVES TO CULTURE AND SPORTS

- **Green Light for Culture:** a project that has supported culture in the whole country for over 20 years.

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

INCENTIVES TO ENTREPRENEURISM

- ***Junior Achievement*:** an educational project which main goal is to bring entrepreneurship to public schools.

- ***Endeavor*:** an organization that identifies and allows the sustainable continuity of high-impact entrepreneur business s.

INCENTIVES TO DEMOCRATIC IDEALS AND CITIZENSHIP

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

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

- **Ling Institute:** an association created to support, through investments in education, Brazilian youth who share family values.

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

INCENTIVES TO SOCIAL PROJECTS

- **Minas for Peace Institute:** a project that aims social justice, peace, culture, citizenship, and human rights.

- **Social institutions supported through the 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:** a social project that supports institutions through the voluntary work of Belo Horizonte employees.

b) Awards

In 2012, the Company won several awards, including:

Awards and recognition	Promoter institution
Corporate reputation	
Customer Service Innovation Award	Consumidor Moderno magazine
One of the 50 companies whose business model has more quality and competitiveness	Morgan Stanley bank
One of the five best companies to invest of the consumption sector	Exame magazine
The Best Franchise in Brazil in the "Vehicles" category	Pequenas Empresas & Grandes Negócios
CEO with 27th best performance in Latin America	Harvard Business Review
Franchising Excellence award	Brazilian Franchising Association
One of the best Latin American companies in the transportation sector	Institutional Investor Magazine
2nd in "Best Franchise to Work For 2012"	Pequenas Empresas & Grandes Negócios
Finance and investor relations	
49th most valued brand of Brazil	Isto É Dinheiro
Best Investor Relationship Program	*IR Magazine Awards Brazil 2012*
Best IR Executive in Brazil	*IR Magazine Awards Brazil 2012*
XVI Troféu Transparência award	ANEFAC - FIPECAFI - SERASA EXPERIAN
5th in Corporate Governance	Capital Aberto magazine
People Management	
Regional winner and one of the five finalists in the "Communication and Relationship with Employees" category	ABERJE 2012

15 - ENVIRONMENT

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

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

16 - 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 and the general market. Since its IPO, the Company has been listed on the Novo Mercado, the highest Corporate Governance level, granting tag along rights to 100% of its shares.

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

The Company's Board of Directors has instated the Audit and Risk Management, Disclosure, Ethics and People Management committees, and has approved 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, 2012, the Board of Directors and the Board of Executive Officers were formed by the following members:

BOARD OF DIRECTORS

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

(*) Independent members.

EXECUTIVE OFFICERS

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

(*)Total Fleet's Statutory Director
(**) Rental Brasil's Statutory Director

NON-STATUTORY OFFICERS

Alberto Wagner Teixeira Campos	Edmar Vidigal Paiva
Ana Cristina Carvalho Chaves	Fabrício Fernandes da Silveira
Antonio Hiroyuki Hyodo	Herbert Viana Andrade
Bernardo Dias Gomide	Paulo Henrique de Almeida Pires
Cláudio Luciano Marques	Valdiney Cesário Ferreira

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 customers, employees, suppliers, shareholders, the competition, society, government, the press, and the community where it operates; and (iii) ensuring that concerns about efficiency, competitiveness, and profitability do not take priority over ethical standards.

d) Relationship with Independent Auditors

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

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) 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".

(i) Internal Controls, Risk Management and Denunciation Channel

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

In 2012, the Company hired KPMG Auditores Independentes to update the documentation on internal processes and to assist in addressing the control issues identified. The improvement recommendations will be adopted in 2013 in each Company area.

Also in 2012, a denunciation channel was implemented through which Company and franchisee employees can report non-ethical situations and conduct at the Localiza Platform. The Localiza Plataform's denunciation channel is available 24x7x365 and can be accessed in three ways: i) website on the internet; ii) free telephone call (0800) and; iii) e-mail. The Internal Audit and Human Resources areas are responsible for its management. The denouncer is ensured confidentiality and may follow the verification and solution to the denunciation.

17 - DIVIDENDS AND SHARE BUYBACK

a) Dividends

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

The bylaws establish that a minimum of 25% of the adjusted net income is distributed as compulsory dividend. The bylaws also establish that the Company may allocate up to 75% of net income to a bylaw income reserve denominated "Reserve for Investments", which purpose is to finance the Company and its subsidiaries' investments in fleet renewal and expansion.

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
2011	26,302	50,544	76,846
2012	5,143	60,661	65,804

b) Share Buy-Back

As of December 31, 2012, the total treasury shares were 3,158,349 (4,183,180 as of December 31, 2011), acquired in the repurchase program approved at the Board of Directors' meeting held on December 18, 2007. The acquisition cost of the treasury shares as of December 31, 2012 including trading costs, net of realization (R$10.6 million in 2012 and R$0.4 million in 2011), was R$32.6 million, and the average unit cost was R$10.32 (minimum of R$5.15 and maximum of R$16.55). As of December 31, 2012, the market value of the 3,158,349 shares was R$118.4 million (quotation of R$37.50 per share).

Fourth Share Buy-Back Plan

The Board of Directors meeting held on July 19, 2012 authorized the launch of the 4th Share Buy-Back Program.

The authorized number of shares to be purchased is up to 8,447,000 shares. The maximum term to carry out the authorized operation is 365 days as from July 19, 2012, that is, July 18, 2013. No shares were as yet acquired in this plan.

Treasury Share Changes

Up to December 31, 2012, 1,024,831 stock options related to the Stock Purchase Option Programs of 2007 to 2011 were exercised, using treasury shares.

18 - 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	Rental Brasil	TOTAL
Investment as at December 31, 2011	**449,502**	**8,757**	**-**	**7,834**	**97**	**-**	**3,444**	**-**	**469,634**
Contribution of capital subsidiaries and transfer of investment	120,000	-	13,650	-	(4)	-	-	40,922	**174,568**
Equity in subsidiaries	126,009	11,706	2,396	5,682	(2)	(74)	13,535	-	**159,252**
Dividends received and receivable	(42,927)	(19,859)	-	(9,351)	-	-	(16,739)	-	**(88,876)**
Provision (Reversal) for loss on investments	-	-	(16,046)	-	(15)	74	-	-	**(15,987)**
Investments as at December 31, 2012	**652,584**	**604**	**-**	**4,165**	**76**	**-**	**240**	**40,922**	**698,591**

19 - SOCIAL REPORT

	2011			2012		
Social indicators calculation basis - R$ thousand						
Net Revenue (NR)			2,918,130			3,166,800
Earnings Before taxes (EBT)			416,667			327,126
Gross Payroll (GP)			256,874			300,323
Internal social indicators	**Amount R$/thousand**	**% on GP**	**% on NR**	**Amount R$/thousand**	**% on GP**	**% on NR**
Meals	16,793	7%	1%	17,249	6%	1%
Compulsory social charges	54,324	21%	2%	66,932	22%	2%
Health	13,020	5%	0%	12,970	4%	0%
Training and professional development	7,365	3%	0%	9,241	3%	0%
Day-care or day-care allowance	283	0%	0%	374	0%	0%
Profit sharing	30,848	12%	1%	31,524	11%	1%
Other	6,413	2%	0%	21,633	7%	1%
Total - Internal Social Indicators	**129,046**	50%	4%	**159,923**	53%	5%
External Social indicators	**Amount R$/thousand**	**% on EBT**	**% on NR**	**Amount R$/thousand**	**% on EBT**	**% on NR**
Education	409	0%	0%	425	0%	0%
Culture	1,632	1%	0%	1,692	1%	0%
Other	409	0%	0%	425	0%	0%
Total contributions to society	**2,450**	1%	0%	**2,542**	1%	0%
Taxes (net of social charges)	234,681	56%	8%	199,263	61%	6%
Total - External Social Indicators	**237,131**	57%	8%	**201,805**	62%	6%
Employee Indicators			**2011**			**2012**
Number of employees at the end of the year			5,304			5,866
Number of admissions during the period			1,948			1,894
Number of outsourced employees			125			256
Number of interns			1			41
Number of employees over 45 years old			359			433
Number of women working at the company			2,452			2,761
% of management positions held by women			47.45%			47.81%
Number of afro-descendants working at the company			3,370			4,186
% of management positions held by afro-descendants			41.44%			44.82%
Number of physically-impaired people or people with special needs			51			26

Significant information regarding corporate citizenship	2012			2013 Goals		
Highest/lowest compensations ratio			**80.38**			**80 (*)**
Total number of occupational accidents			**41**			**-**
- 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 standards in the workplace were established by	( ) directors and	( ) all employees	(x) all + Cipa	( ) directors and	( ) 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	( ) encourages and follows ILO	( ) não se envolverá	(x) will follow standards of	( ) will encourage and
- 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 218	in court 2,002	In the company (**)	In Procon NA	In court NA
- % of complaints and criticisms from consumers handled or solved	in the company (**)	In Procon 34.4%	in court 35.3%	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 of the number of calls concerning complaints only.

Management recommends reading the 2012 earnings release filed with the CVM and accessible through the website www.localiza.com/ri.

Independent auditor's report

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

We have audited the accompanying financial statements of Localiza Rent a Car S.A. ("Company" or "Parent Company"), which comprise the balance sheet as at December 31, 2012 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have also audited the accompanying consolidated financial statements of Localiza Rent a Car S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2012 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Localiza Rent a Car S.A. as at December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Localiza Rent a Car S.A. and its subsidiaries as at December 31, 2012, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

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

Other matters

Supplementary information - statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2012, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but they are considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Audit of previous year's amounts

The audit of the financial statements for the year ended December 31, 2011, presented for comparison purposes, was conducted by another independent auditor, which issued an unqualified opinion dated March 7, 2012.

Belo Horizonte, March 14, 2013

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

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

Localiza Rent a Car S.A.

Balance sheets as as of December 31, 2012 and 2011

(In thousands of Brazilian reais – R$)

ASSETS

	Note	Individual (BR GAAP) 12/31/12	Individual (BR GAAP) 12/31/11	Consolidated (IFRS and BR GAAP) 12/31/12	Consolidated (IFRS and BR GAAP) 12/31/11
Current assets					
Cash and cash equivalents	*4*	713,017	597,741	823,866	711,002
Trade accounts receivable	*5*	291,414	278,913	361,157	353,440
Dividends receivable from subsidiaries	*7(b)*	39,716	32,435	-	-
Other current assets	*6*	36,188	72,344	50,034	54,202
		1,080,335	981,433	1,235,057	1,118,644
Decommissioning cars for fleet renewal		26	36	13,277	28,992
Total current assets		**1,080,361**	**981,469**	**1,248,334**	**1,147,636**
Noncurrent assets					
Long-term assets:					
Trade accounts receivable	*5*	-	-	3,981	-
Escrow deposits	*14(b)*	19,650	22,625	23,042	25,020
Deferred income tax and social contribution	*15(a)*	20,204	16,680	24,510	19,782
Other noncurrent assets	*6*	488	420	83	83
Total long-term assets		40,342	39,725	51,616	44,885
Investments in subsidiaries	*7*	703,099	474,142	-	-
Property and equipment	*8*	1,814,392	1,918,312	2,705,229	2,794,236
Intangible assets:					
Software	*9(a)*	34,307	17,726	36,221	18,289
Goodwill on acquisition of investments	*9(b)*	-	-	4,508	4,508
Total noncurrent assets		**2,592,140**	**2,449,905**	**2,797,574**	**2,861,918**
Total assets		**3,672,501**	**3,431,374**	**4,045,908**	**4,009,554**

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

Localiza Rent a Car S.A.

Balance sheets as as of
December 31, 2012 and 2011
(In thousands of Brazilian reais – R$)

LIABILITIES AND SHAREHOLDERS' EQUITY

		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Note	12/31/12	12/31/11	12/31/12	12/31/11
Current liabilities					
Trade accounts payable	*10*	304,601	415,612	356,152	488,655
Social and labor obligations	*11*	38,112	45,491	53,188	58,682
Loans, financing and debentures	*12*	141,238	119,511	210,059	130,945
Income tax and social contribution	*15(c)*	8,399	19,706	26,035	32,543
Dividends and interest on capital	*16(b)*	18,659	38,294	18,659	38,294
Other current liabilities	*13*	68,042	58,924	70,075	44,659
Total current liabilities		**579,051**	**697,538**	**734,168**	**793,778**
Noncurrent liabilities					
Loans, financing and debentures	*12*	1,681,336	1,514,330	1,845,032	1,943,480
Provision	*14(a)*	26,487	24,939	35,167	30,080
Deferred income tax and social contribution	*15(a)*	46,826	58,525	76,807	92,373
Other noncurrent liabilities	*13*	14,048	15,459	29,981	29,260
Total noncurrent liabilities		**1,768,697**	**1,613,253**	**1,986,987**	**2,095,193**
Total liabilities		**2,347,748**	**2,310,791**	**2,721,155**	**2,888,971**
SHAREHOLDERS' EQUITY	*16*				
Capital		601,708	601,708	601,708	601,708
Capital reserves		80,669	62,210	80,669	62,210
Treasury shares		(32,602)	(43,181)	(32,602)	(43,181)
Earnings reserves		511,777	499,730	511,777	499,730
Earnings Retention		163,201	-	163,201	-
Valuation adjustments to equity		-	116	-	116
Total shareholders' equity		**1,324,753**	**1,120,583**	**1,324,753**	**1,120,583**
Total liabilities and shareholders' equity		**3,672,501**	**3,431,374**	**4,045,908**	**4,009,554**

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

Localiza Rent a Car S.A.

Income Statements
for the years ended December 31, 2012 and 2011
(In thousands of Brazilian reais – R$, except earnings per share)

	Note	Individual (BR GAAP) Years ended 2012	Individual (BR GAAP) Years ended 2011	Consolidated (IFRS and BR GAAP) Years ended 2012	Consolidated (IFRS and BR GAAP) Years ended 2011
Net revenue	19	2,277,404	2,193,341	3,166,800	2,918,130
Costs	20	(1,788,221)	(1,590,836)	(2,332,991)	(2,015,160)
Gross profit		**489,183**	**602,505**	**833,809**	**902,970**
Operating income (expenses):					
Selling	20	(207,019)	(175,626)	(266,055)	(224,425)
General, administrative and other	20	(80,740)	(68,704)	(101,926)	(82,838)
Equity in subsidiaries	7(a)	159,252	124,591	-	-
		(128,507)	(119,739)	(367,981)	(307,263)
Results before financial income and expenses		**360,676**	**482,766**	**465,828**	**595,707**
Financial income (expenses):	21				
Financial income		49,460	47,452	60,579	60,331
Financial expenses		(155,384)	(176,927)	(199,281)	(239,371)
		(105,924)	(129,475)	(138,702)	(179,040)
Income before income tax and social contribution		**254,752**	**353,291**	**327,126**	**416,667**
Income tax and social contribution:	15(b)				
Current		(29,039)	(47,566)	(106,484)	(106,123)
Deferred		15,223	(14,083)	20,294	(18,902)
		(13,816)	(61,649)	(86,190)	(125,025)
Net income		**240,936**	**291,642**	**240,936**	**291,642**
Net income attributable to the Company's owners		-	-	240,936	291,642
Earnings per share (R$):	17				
Basic		1.21552	1.47671	1.21552	1.47671
Diluted		1.20973	1.47121	1.20973	1.47121

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

Localiza Rent a Car S.A.

Statements of changes in equity individual (BR GAAP) and consolidated (IFRS and BR GAAP)

for the years ended December 31, 2012 and 2011

(In thousands of Brazilian reais – R$)

			Capital Reserves			Earnings reserves			Valuation adjustments to equity		
	Note	Capital Social	Options granted	Goodwill on subscription of shares	Treasury shares	Legal Reserve	Bylaws reserve	Earnings retention	Deemed cost of property and equipment	Retained earnings	Total
BALANCES AT DECEMBER 31,2010		**601,708**	**7,436**	**48,174**	**(43,626)**	**13,664**	**260,275**	**-**	**11,111**	**-**	**898,742**
Option granted	*16(c), item (i e ii)*	-	6,686	-	-	-	-	-	-	-	6,686
Valuation adjustments to deemed cost	*8 (a)*	-	-	-	-	-	-	-	(10,995)	10,995	-
Stock options exercised using treasury shares	*16(c), item (iii)*	-	(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**
Options granted	*16(c), item (i e ii)*	-	7,136	-	-	-	-	-	-	-	7,136
Valuation adjustments to deemed cost	*8 (a)*	-	-	-	-	-	-	-	(116)	116	-
Stock options exercised using treasury shares	*16(c), item (iii)*	-	(6,437)	17,760	10,579	-	-	-	-	-	21,902
Net income		-	-	-	-	-	-	-	-	240,936	240,936
Allocation of net income											
Legal reserve	*16(d), item (i)*	-	-	-	-	12,047	-	-	-	(12,047)	-
Interest on capital (R$0.26 per share)	*16(b)*	-	-	-	-	-	-	-	-	(60,661)	(60,661)
Proposed dividends (R$0.03 per share)	*16(b)*	-	-	-	-	-	-	-	-	(5,143)	(5,143)
Earnings retention	*16(d), item (ii)*	-	-	-	-	-	-	163,201	-	(163,201)	-
BALANCES AS AT DECEMBER 31,2012		**601,708**	**14,294**	**66,375**	**(32,602)**	**40,293**	**471,484**	**163,201**	**-**	**-**	**1,324,753**

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

Localiza Rent a Car S.A.

Statements of Cash Flows
for the years ended December 31, 2012 and 2011
(In thousands of Brazilian reais – R$)

	Note	Individual (BR GAAP) 2012	Individual (BR GAAP) 2011	Consolidated (IFRS and BR GAAP) 2012	Consolidated (IFRS and BR GAAP) 2011
Cash flows from operating activities:					
Net income for the year		**240,936**	**291,642**	**240,936**	**291,642**
Adjustments to reconcile net income and cash and cash equivalents provided by operating activities:					
Depreciation and amortization		245,144	110,056	409,856	225,587
Net book value of vehicles written off		1,106,768	1,118,107	1,360,215	1,328,580
Deferred income tax and social contribution		(15,223)	14,083	(20,294)	18,902
Equity in subsidiaries	*7*	(159,252)	(124,591)	-	-
Other		16,310	5,660	21,767	2,702
(Increase) decrease in assets :					
Trade accounts receivable		(14,289)	(56,645)	(14,635)	(81,359)
Acquisition of cars (see supplemental disclosure below)		(1,327,591)	(1,322,501)	(1,735,721)	(1,743,739)
Escrow deposits		1,660	(267)	663	554
Recoverable taxes		(8,766)	(14,645)	(11,396)	(15,910)
Other assets		45,372	(5,199)	8,510	10,739
Increase (decrease) in liabilities:					
Accounts payable (except car makers)		(11,997)	10,173	(15,589)	12,957
Social and labor obligations		(7,379)	(546)	(5,494)	659
Income tax and social contribution		29,039	46,236	106,484	106,123
Interest on loans, financing, debentures	*12*	151,807	169,114	195,881	231,049
Insurance premiums		15,839	2,630	15,839	2,630
Other payables		2,900	(13,209)	15,978	(16,799)
Cash provided by operating activities		**311,278**	**230,098**	**573,000**	**374,317**
Payment of income tax and social contribution		(30,853)	(30,186)	(100,872)	(82,979)
Payment of interest on loans, financing and debentures	*12*	(143,154)	(139,571)	(190,615)	(237,082)
Net cash provided by operating activities		**137,271**	**60,341**	**281,513**	**54,256**
Cash flows from investing activities:					
Contribution of capital to subsidiaries	*7*	(141,474)	(100,000)	-	-
Dividends from subsidiaries	*7(b)*	81,595	66,313	-	-
Acquisition of other property and equipment	*8*	(56,547)	(48,281)	(57,278)	(49,219)
Acquisition of intangible assets	*9*	(22,372)	(13,329)	(23,494)	(13,774)
Net cash used in investing activities		**(138,798)**	**(95,297)**	**(80,772)**	**(62,993)**

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

Localiza Rent a Car S.A.

Statements of Cash Flows
for the years ended December 31, 2012 and 2011
(In thousands of Brazilian reais – R$)

	Note	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		2012	2011	2012	2011
Cash flows from financing activities:					
Loans and financing:	12				
- Proceeds		3,442	153,000	125,763	288,051
- Amortization		(32,908)	(217,581)	(359,909)	(404,348)
Debentures:	12				
- Proceeds		300,146	500,000	300,146	500,000
- Amortization		(90,600)	-	(90,600)	-
Exercise of the share options with treasury shares, net		21,902	-	21,902	-
Dividends	16(b)	(26,302)	(23,337)	(26,302)	(23,337)
Interest on capital	16(b)	(58,877)	(56,308)	(58,877)	(56,308)
Net cash provided by (used in) financing activities		**116,803**	**355,774**	**(87,877)**	**304,058**
Net cash flow provided in the year		**115,276**	**320,818**	**112,864**	**295,321**
Cash and cash equivalents:					
At beginning of year	4	597,741	276,923	711,002	415,681
At end of year	4	713,017	597,741	823,866	711,002
Increase in cash and cash equivalents		**115,276**	**320,818**	**112,864**	**295,321**

Supplemental disclosure of cash flow information:

	Note	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		2012	2011	2012	2011
Statement of cash paid for car acquisition:					
Acquisition of cars in the period - Renewal		(1,189,676)	(1,217,178)	(1,563,308)	(1,504,512)
Acquisition of cars in the period - Growth		(38,901)	(110,884)	(55,499)	(271,969)
Total car acquisitions	8	(1,228,577)	(1,328,062)	(1,618,807)	(1,776,481)
Trade accounts payable - car makers:					
Balance at end of year	10	246,725	345,739	288,403	405,317
Balance at beginning of year	10	(345,739)	(340,178)	(405,317)	(372,575)
		(99,014)	5,561	(116,914)	32,742
Cash paid for car acquisitions		**(1,327,591)**	**(1,322,501)**	**(1,735,721)**	**(1,743,739)**

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

Localiza Rent a Car S.A.

Statements of Value Added
for the years ended December 31, 2012 and 2011
(In thousands of Brazilian reais – R$)

	Note	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		2012	2011	2012	2011
Revenues:					
Gross revenue less discounts		2,309,899	2,231,475	3,226,801	2,979,800
Other revenues		779	167	811	167
Revenues related to the construction of own assets and leasehold improvements		36,427	45,418	36,745	45,872
Recognition of allowance for doubtful accounts	5	(1,788)	(2,970)	(2,937)	(2,711)
Total income		**2,345,317**	**2,274,090**	**3,261,420**	**3,023,128**
Costs and expenses acquired from third parties:					
Materials, energy, outside services and other		(121,254)	(101,562)	(138,340)	(119,726)
Costs of car and fleet rental and cars written off		(1,339,565)	(1,319,144)	(1,675,873)	(1,597,382)
Total costs and expenses acquired from third parties		**(1,460,819)**	**(1,420,706)**	**(1,814,213)**	**(1,717,108)**
Gross value added		**884,498**	**853,384**	**1,447,207**	**1,306,020**
Depreciation and amortization	20	(245,144)	(110,056)	(409,856)	(225,587)
Wealth created		**639,354**	**743,328**	**1,037,351**	**1,080,433**
Wealth received in transfer:					
Financial income	21	49,460	47,452	60,579	60,331
Equity in subsidiaries	7	159,252	124,591	-	-
Wealth for distribution		**848,066**	**915,371**	**1,097,930**	**1,140,764**
Wealth distributed					
Taxes and contributions					
Federal		80,020	133,428	190,558	227,746
State		33,232	28,384	48,917	40,590
Municipal		8,132	5,863	11,096	7,668
Personnel					
Salaries and wages		170,781	151,302	231,456	195,086
Benefits		37,948	29,460	49,039	36,531
F.G.T.S. (severance pay fund)		11,547	9,944	15,755	13,023
Stock option plan	16(c)	7,136	6,686	7,136	6,686
Third parties					
Interest	21	155,384	176,927	199,281	239,371
Lease of property and other		102,950	81,735	103,756	82,421
Shareholders					
Interest on capital	16(b)	60,661	50,544	60,661	50,544
Dividends	16(b)	5,143	26,302	5,143	26,302
Retained earnings		175,132	214,796	175,132	214,796
Wealth distributed and retained		**848,066**	**915,371**	**1,097,930**	**1,140,764**

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

1. OPERATIONS

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

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

As of December 31, 2012, Localiza Integrated Business Platform, including franchisees in Brazil and abroad, consisted of 524 car rental branches, of which: i) 474 branches were in 334 Brazilian cities, of which 272 were operated by Localiza and the remaining by franchisees; and ii) 50 branches were in 29 cities in eight South American countries, all operated by franchisees.

As of December 31, 2012, the fleet of Localiza's Integrated Business Platform comprised 111,735 cars, of which: i) 97,190 belonged to the Company, including 32,104 of the Fleet Rental Division; ii) 12,004 belonged to franchisees in Brazil and iii) 2,541 belonged to franchisees abroad. After being used in the rental activity, the cars are sold to generate cash for fleet renewal. Decommissioned cars are sold substantially to end consumers in 73 sales points, located in 43 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 IFRS issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil, identified as "Consolidated - (IFRS and BR GAAP)"; and

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

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

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

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

2.2. Basis of preparation

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

- Cars and accessories comprising Localiza's and Total Fleet's fleet on January 1, 2009, the date of transition to the IFRS and adoption of CPC 27, and that continued to comprise the fleet in 2012, were measured at fair value as deemed cost;

- Compensation costs relating to the Stock Option Plan measured at fair value; and

- Derivative financial instruments.

2.3. Consolidation basis and investments in subsidiaries

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

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

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 2.7.4.1 and Note 5)); b) in the definition of the useful lives and residual value of property and equipment items (Note 2.7.7 and Note 8); c) in the accounting for deferred income tax and social contribution (Note 2.7.14.2 and Note 15); d) in the accounting for provision (Note 2.7.12 and Note 14); e) in the measurement of compensation costs relating to the Stock Option Plan (Note 2.7.13 and Note 16(c), item (i)); and f) in the determination of the fair value of financial instruments (Note 2.7.4 and Note 22(c)).

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

2.5. Functional and reporting currency

The Brazilian real is the functional currency of Localiza and the reporting currency of the individual and consolidated financial statements. Financial information is presented in thousands of Brazilian reais, unless otherwise indicated and is rounded to the closest thousand. The financial statements of dormant foreign subsidiaries are translated into Brazilian reais at the exchange rates prevailing on the balance sheet dates. The effects of such translation on net income (R$76 in 2012 and R$76 in 2011) and shareholders' equity are immaterial.

2.6. Statement of Value Added (DVA)

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

2.7. Summary of significant accounting practices

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

2.7.1 Revenue (expenses) - net revenue is measured by the value of the consideration received or receivable, 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 categories is detailed as follows:

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

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

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

iv) Franchising: franchise revenues are based on a percentage of franchised car rental revenue and are recognized on a monthly basis. They also include the "franchise fee" corresponding to the amounts paid by the franchisee in acquiring the right to operate a branch by means of Localiza's Corporate Franchise in a given operating area for predefined periods. The franchise fee is recognized in profit or loss in accordance to terms of the agreement; and

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

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

2.7.2 Adjustment to present value - long and short-term monetary assets and liabilities are adjusted and calculated to their present value only when the effect is considered material in relation to the consolidated financial statements taken as a whole. For accounting purposes and significance determination, the adjustment to present value is calculated taking into account contractual cash flows and the effective average cost of the Company's debt. As of December 31, 2012 and 2011, 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 2012 and 2011 no impairment losses were recognized.

In addition, Localiza tests for impairment, at least annually, the goodwill on acquisition of investment. The impairment testing of goodwill consists of measuring the recoverable amount of the cash-generating unit (CGU) to which goodwill was allocated. If the recoverable amount of a CGU is lower than its carrying amount, impairment losses are firstly allocated to write down the carrying amount of any goodwill allocated to the 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 2012 and 2011 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 issue of financial assets and liabilities (except for financial assets and liabilities recognized at fair value through profit or loss) are added to or

deducted from the difference of financial assets or liabilities' fair values, if applicable, after the initial recognition. Operation costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognized in the 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 at fair value through profit or loss; ii) loans and receivables; iii) held-to-maturity investments; and iv) financial instruments available for sale. Financial assets are subsequently measured based on their classification into one of the four categories mentioned.

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

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

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

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

The Company's financial liabilities classified as "at fair value through profit or loss" include the other financial instruments - swap. The Company holds eight interest rate swap contracts, of which seven are held by Localiza and one by Total Fleet, to eliminate its exposure to CDI rate fluctuation risks.

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.

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 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 peaks. The Car Rental Division considers "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 the individual financial statements, as described in Note 7.

2.7.7 Property and equipment - cars, land, 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 8 (a).

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. Land and construction in progress are not depreciated or amortized.

Localiza and Total Fleet revise the estimated useful lives and the residual values of the fleet cars at least on a quarterly basis. For all other items in the property and equipment of Localiza and its subsidiaries, these revisions 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:

	2012	2011
Cars:		
Car Rental Division (*)	11.3%	4.9%
Fleet Rental Division (*)	14.5%	11.7%
Other property and equipment:		
Leasehold improvements	20.5%	19.6%
Furniture and fixtures	10%	10%
IT equipment	20%	20%
Other	4% - 10%	4% - 10%

(*) The increase in the weighted average depreciation annual rates of the fleet resulted from the IPI effects, as described in Note 8 (b).

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

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

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

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

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

2.7.12 Provision - provision is recognized for present obligations (legal or constructive) as a result of past events, when the amount of the obligation can be reliably estimated and its settlement is probable. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Actual results could differ from those estimates. Localiza and 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 the grant date to the date at which the employees acquire the right to exercise the option, with a corresponding increase in shareholders' equity, under the caption "Options granted", in "Capital reserves". Remuneration costs are measured at fair value on the date share purchase options are granted and were estimated based on the Black & Scholes option valuation model, see Note 16(c), item (i). Remuneration costs are charged to "Costs", "Selling expenses" and "General, administrative and other expenses", in the 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.

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

2.7.15 Interest on capital - interest credited to shareholders, calculated under Law 9249/95, is recorded in the statement of income under "financial expenses", as required by tax legislation. However, for financial statement disclosure purposes, interest on capital is presented as a debit to retained earnings, the same treatment given to dividends. The amounts paid to shareholders as interest on capital, net of withholding income tax, are deducted from the minimum mandatory dividend, under Article 9, paragraph 7, of Law 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, are recognized at cost and deducted from shareholders' equity. Transaction costs incurred in the acquisition of shares issued by Localiza are added to these shares' 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 (iv).

3. ACCOUNTING PRONOUNCEMENTS AND INTERPRETATIONS RECENTLY ISSUED

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

The following IASB and International Financial Reporting Interpretations Committee (IFRIC) accounting pronouncements are effective in this reporting period and were adopted by the Company in its financial statements for the year ended December 31, 2012. Such standards did not significantly affect these financial statements:

Pronouncement/Interpretation	Description	Effectiveness
CPC 18 - Investment in Associates and Subsidiaries	This Pronouncement must be applied to record investments in associates and subsidiaries. The investment in associates and subsidiaries (in this case, in the individual balance sheet) must be accounted for under the equity method, except when, and if, legally allowed.	Year ended December 31, 2012
CPC 30 - Revenues	Wording review, contents remain unchanged	
CPC 35 - Separate Financial Statements	Wording review, contents remain unchanged	
CPC 40 - Financial Instruments	The review of this CPC addressed substantially two subjects: Sensitivity analysis for each type of market risk and disclosures of the transfer of financial assets not derecognized and any continuous involvement with financial asset transferred.	
ICPC 08 - Accounting for Proposed Dividends	The purpose of the ICPC 08 review is to supplement the original document issued by CPC in 2009, addressing with more detail the assumptions included in the Brazilian Corporate Law related to the payment of dividends or interest on capital to shareholders or partners.	
ICPC 09 - Financial Statements and Equity Accounting Method	The purpose of the ICPC 09 review is to align the instruction to the CPC 18 amendments, especially regarding: the results arising from downstream transactions between the Parent Company and the subsidiary, the results arising from upstream transactions between the Parent Company and the subsidiary, and from transactions between subsidiaries of the same group, and point out that the items mentioned above must produce the same net result and the same shareholders' equity for the Parent Company, obtained from the consolidated financial statements of such Parent Company and its subsidiaries.	

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

The following standards, interpretations and standard changes are not yet effective and were not early adopted by the Company by December 31, 2012. Where applicable, the Company will implement these pronouncements as they become effective, and expects no material impacts on its financial statements:

Pronouncement/Interpretation	Description	Effectiveness
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 or after January 1, 2013.
IFRS 9 - Financial Instruments	This new standard uses a simple approach to determine whether a financial asset is measured at amortized cost or fair value, based on the manner used by an entity to manage its financial instruments and the cash flow typical of financial assets. IFRS 9 also requires adoption of a single method to determine impairment of assets	
IFRS 10 - Consolidated Financial Statements	Supersedes parts of IAS 27 - Consolidated and Separate Financial Statements that address when and how an investor must prepare consolidated financial statements and supersedes SIC 12 - Consolidation - Special Purpose Entities. Additionally, IFRS 10 provides a new definition of control encompassing three components: a) authority over an investee; b) exposure or right to variable returns on its interest in the investee; and c) ability to use its authority over the investee to affect the amount of returns to the investor	
IFRS 11 - Joint Arrangements	IFRS 11 supersedes IAS 31 - Interest in Joint Ventures. Requires the use of the equity method to recognize interests in joint ventures, and eliminates the proportionate consolidation method.	
IFRS 12 - Disclosure of Interests in Other Entities	Defines the purpose of disclosures and minimum disclosures for entities holding investments in subsidiaries, jointly-controlled subsidiaries, associates or other unconsolidated companies.	
IFRS 13 - Fair Value Measurement	Sets out a single framework for measuring fair value and disclosing fair value measurements when the fair value is prescribed by other pronouncements. The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is comprehensive and applies to financial and nonfinancial instruments.	
IAS 1 - Presentation of Financial Statements	This improvement clarifies the difference between the voluntary additional comparative information and the minimum comparative information required.	
IAS 12 - Income Taxes	The review clarifies the calculation of deferred taxes on property for investment measured at fair value.	
IAS 16 - Property and Equipment	This improvement explains that the main spare parts and equipment for the provision of services that satisfy the property and equipment definition are not included in inventories.	
IAS 19 - Employee Benefits	Changes the recognition of defined benefit plans and termination benefits. The most significant amendment refers to the recognition of the changes made to defined benefit obligations and the plan assets.	
IAS 27 - 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.	
IAS 34 - Interim Financial Reporting	The review aligns the disclosure requirements of the segment's total assets with the segment's total liabilities in the interim financial statements. This clarification also ensures that interim disclosures be aligned with annual disclosures.	

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/12	12/31/11	12/31/12	12/31/11
Cash and banks	7,750	15,599	12,844	16,231
Bank certificates of deposit (CDB)	298,225	181,415	333,160	222,171
Committed transactions	407,042	400,727	477,862	472,600
Total	**713,017**	**597,741**	**823,866**	**711,002**

As of December 31, 2012, investments in CDB and committed transactions yielded 101.6% of the CDI (102.1% as of December 31, 2011) and have immediate liquidity.

5. TRADE ACCOUNTS RECEIVABLE

The breakdown of trade accounts receivable is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/12	12/31/11	12/31/12	12/31/11
Car rental	239,101	209,038	241,176	211,226
Fleet rental	-	-	56,418	49,002
Sale of decommissioned cars	62,249	77,941	72,788	98,023
Franchising	891	973	10,035	7,531
	302,241	**287,952**	**380,417**	**365,782**
Allowance for doubtful accounts	(10,827)	(9,039)	(15,279)	(12,342)
Total	**291,414**	**278,913**	**365,138**	**353,440**

The aging list of trade accounts receivable is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/12	12/31/11	12/31/12	12/31/11
Current	260,144	245,330	299,867	291,449
Up to 30 days past-due	15,801	18,163	43,837	41,174
31 to 60 days past-due	3,935	4,206	5,539	5,756
61 to 90 days past-due	2,677	2,875	3,485	3,427
91 to 180 days past-due	6,047	6,098	7,443	7,695
Past-due over 181 days	13,637	11,280	20,246	16,281
	302,241	**287,952**	**380,417**	**365,782**

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)	
	12/31/12	12/31/11
Up to 60 days past-due	48,656	46,827
61 to 180 days past-due	8,509	9,467
Past-due over 181 days	8,338	6,170
	65,503	**62,464**

Changes in the allowance for doubtful accounts are as follows:

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
Balance as of December 31, 2011	**(9,039)**	**(12,342)**
Recognition	(4,791)	(11,221)
Reversal	3,003	8,284
Balance as of December 31, 2012	**(10,827)**	**(15,279)**

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

	Consolidated (IFRS and BR GAAP)	
	12/31/12	**12/31/11**
Current (*)	232	473
Up to 60 days past-due	720	103
61 to 180 days past-due	2,419	1,655
Past-due over 181 days	11,908	10,111
Total	**15,279**	**12,342**

(*)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)	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Balances recorded in a separate line of current assets:				
Prepayments	374	703	374	703
Recoverable taxes	12,429	13,158	14,645	15,164
	12,803	13,861	15,019	15,867
Other current assets:				
Amounts receivable from insurance company (*)	18,572	36,530	30,355	36,530
Other receivables - subsidiaries (Note 7 (b))	3,344	20,289	-	-
Other	1,469	1,664	4,660	1,805
	23,385	58,483	35,015	38,335
Total current assets	36,188	72,344	50,034	54,202
Balances recorded in a separate line of noncurrent assets:				
Other receivables - subsidiaries (Note 7 (b))	405	337	-	-
Other noncurrent assets	83	83	83	83
	488	420	83	83
Total other current and noncurrent assets	**36,676**	**72,764**	**50,117**	**54,285**

(*)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. INVESTMENTS IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

(a) Information on subsidiaries

The businesses of car and fleet rental, franchises 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 fleet rental business.

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

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 and in other services related to the car rental activity. The Extraordinary General Meeting held on November 29, 2012 approved the change of the Prime Prestadora de Serviços S.A. name to Localiza Serviços S.A.

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

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 related to Localiza fleet cars.

Localiza Franchising Internacional SRL - "LFI SRL": a limited liability company, headquartered in Argentina, currently dormant. It was a wholly-owned subsidiary of the Company, but on September 21, 2012 Localiza made a capital contribution to Total Fleet S.A. with 5% of the investment in LFI SRL.

TF Assistance Serviços de Administração de Sinistros S.A.: a direct subsidiary of Total Fleet until October 26, 2012, when it was entirely sold to Localiza Franchising Brasil, currently in the pre-operating stage and whose corporate purpose is to manage car claims for insurance companies, registrations for negotiation with repair shops and other suppliers, regulation of claims, approval of budgets and services carried out, management of information and claims evidencing documents, and management of indemnities.

Rental Brasil Administração e Participação S.A.: privately-held corporation incorporated on July 24, 2012, in the operating stage, whose corporate purpose is the management and participation as quota or shareholder in other companies.

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

	Equity interest							
	Number of shares		In capital (%)		In shareholders'		In income statement	
	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11	2012	2011
Direct subsidiaries:								
Total Fleet	103,280,354	103,280,354	100.0	100.0	652,584	449,502	126,009	115,482
Franchising Brasil	399,069	399,069	100.0	100.0	604	8,757	11,706	10,870
Prime (*)	15,000	15,000	100.0	100.0	-	-	2,396	(10,849)
Car Rental	1,339,961	1,339,961	100.0	100.0	4,165	7,834	5,682	4,892
Rental International (*)	1,000	1,000	100.0	100.0	-	-	(74)	(73)
Car Assistance	200,000	200,000	100.0	100.0	240	3,444	13,535	4,272
LFI SRL(**)	23,750	25,000	95.0	100.0	76	97	(2)	(3)
Rental Brasil	15,000,000	-	100.0	-	40,922	-	-	-
					698,591	**469,634**	**159,252**	**124,591**
Goodwill on acquisition of investments					4,508	4,508		
Total					**703,099**	**474,142**		
Indirect subsidiary :								
TF Assistance	150,000	150,000	100.0	100.0	150	150		
Indirect interest:								
LFI SRL (**)	1,250	-	5.0	-	4	-		

(*) In 2012, Localiza recognized a provision for equity deficit of subsidiary Rental International, and reversal of the provision related to the Parent Company Prime.
(**) On September 21, 2012, Localiza contributed capital in Total Fleet S.A. with 5% of the investment in LFI SRL.

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

Balance as of December 31, 2011	**474,142**
Capital contribution in subsidiary (**)	174,568
Equity in subsidiaries	159,252
Dividends from subsidiaries (item (iii) below)	(88,876)
Provision (reversal) of negative equity in subsidiaries (*)	(15,987)
Balance as of December 31, 2012	**703,099**

(*) Prime and Rental International.
(**) Does not include investment of R$4 related to the transfer of direct interest in Localiza Franchising Internacional SRL to Total Fleet S.A.

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

At the Extraordinary General Meeting held on May 24, 2012, shareholders approved the Company's capital contribution of R$13,650 to the subsidiary Prime through receivables. Accordingly, Prime's capital increased from R$950 to R$14,600.

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

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

(i) Balance sheets

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

(*) Refers to land transferred by Localiza to Rental Brasil S.A. as capital increase. For disclosure purposes this was recorded in property and equipment.

12/31/11	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	-	-	-	-
Property and equipment	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	11,069	-	338	-	51
Shareholders' equity	449,502	8,757	(22,862)	7,834	(317)	3,444	95
Total	**1,062,983**	**20,741**	**4,989**	**10,453**	**21**	**4,750**	**146**

(ii) Income statements

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

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)**

(iii) Dividends from Subsidiaries

2012	Total Fleet	Franchising Brasil	Car Rental	Car Assistance	Total
2011 dividends	12,998	8,152	3,668	3,203	28,021
2012 prepaid dividends	-	8,383	3,386	9,370	21,139
2012 proposed dividends	29,929	3,324	2,297	4,166	39,716
Total	**42,927**	**19,859**	**9,351**	**16,739**	**88,876**

2011	Total Fleet	Franchising Brasil	Car Rental	Car Assistance	Total
2011 dividends	27,427	2,717	1,223	1,068	32,435
Total	**27,427**	**2,717**	**1,223**	**1,068**	**32,435**

(b) Balances and transactions with related parties

(i) Balances and transactions with subsidiaries

	Total Fleet		Prime		Others		Total	
	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11
Balances:								
Trade accounts receivable	1,815	1,585	-	-	2,045	1,253	3,860	2,838
Dividends	29,929	27,427	-	-	9,787	5,008	39,716	32,435
Other receivables (current and noncurrent) (Note 6)	-	12,879	3,021	7,602	728	145	3,749	20,626
Equity deficit in subsidiaries (Note 13)	-	-	6,816	22,859	391	317	7,207	23,176
Payables to subsidiaries (Note 13)	1,661	-	-	-	70	115	1,731	115

	Total Fleet		Prime		Other s		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Transactions:								
Recovery of expenses and costs	(12,375)	(14,054)	(610)	(453)	(4)	(4)	(12,989)	(14,511)
Revenues from car rentals	10,031	6,867	7,213	4,645	26	58	17,270	11,570

As of December 31, 2012, there was collateral related to guarantees for loans and financing amounting to R$767,683 (R$990,448 as of December 31, 2011), between Localiza and Total Fleet, see Note 12. There was also collateral between companies when bank guarantees were contracted for lawsuits totaling R$16,283 (R$14,828 as of December 31, 2011), see Note 14.

Transactions with related parties 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)	
	2012	2011	2012	2011
Remuneration of the Board of Directors	2,520	2,409	2,520	2,409
Management and Executive Board:				
Fees and compensation	11,275	18,091	17,605	19,342
Payroll taxes	2,063	3,460	3,275	3,747
Options granted recognized	1,961	4,130	2,174	4,599
Pension plan (Note 25)	2,245	151	3,428	163
Total	**20,064**	**28,241**	**29,002**	**30,260**

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

8. PROPERTY AND EQUIPMENT

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

	Individual (BR GAAP)			Consolidated (IFRS and BR GAAP)		
	Cars	Other property and equipment	Total	Cars	Other property and equipment	Total
Cost:						
On December 31, 2011	1,834,725	200,496	2,035,221	2,904,918	203,457	3,108,375
Additions	1,228,577	56,547	1,285,124	1,618,807	57,278	1,676,085
Write offs/transf. (*)	(1,296,734)	(33,927)	(1,330,661)	(1,611,319)	(13,288)	(1,622,590)
As of December 31, 2012	**1,766,568**	**223,116**	**1,989,684**	**2,912,406**	**247,447**	**3,161,870**
Accumulated depreciation:						
On December 31, 2011	(56,373)	(60,536)	(116,909)	(252,230)	(61,909)	(314,139)
Additions	(212,710)	(28,468)	(241,178)	(376,891)	(28,732)	(405,623)
Write offs/transf. (*)	169,233	13,562	182,795	250,985	14,153	263,121
As of December 31, 2012	**(99,850)**	**(75,442)**	**(175,292)**	**(378,136)**	**(76,488)**	**(456,641)**
Residual value:						
On December 31, 2011	1,778,352	139,960	1,918,312	2,652,688	141,548	2,794,236
On December 31, 2012	1,666,718	147,674	1,814,392	2,534,270	170,959	2,705,229

(*) 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)	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Leasehold improvements	80,933	58,447	80,933	58,447
Furniture and fixtures	23,644	19,679	24,380	20,417
IT equipment	10,901	8,627	11,013	8,734
Property and equipment in progress	15,862	21,622	22,301	22,167
Other	16,334	31,585	32,332	31,783
Total	**147,674**	**139,960**	**170,959**	**141,548**

As of December 31, 2012, the captions "cars" and "other property and equipment" include residual values of property and equipment items accounted for as finance leases in the amount of R$118,095 (R$9,279 as of December 31, 2011). For further details on finance leases see Note 23.

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

(a) 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.

As of December 31, 2012 there were no valuation adjustments to equity balances arising from cars valued at deemed cost and the changes on realization of the valuation adjustment to equity in the Company's shareholders' equity was as follows:

	Consolidated (IFRS and BR GAAP)
Balance as of December 31, 2010	**11,111**
Valuation adjustments to equity 2011(*)	(10,995)
Balance as of December 31, 2011	**116**
Valuation adjustments to equity 2012 (*)	(116)
Balance as of December 31, 2012	**-**

(*)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.

(b) Effect of IPI reduction in 2012

The depreciable amount corresponds to the cost of an asset less its residual value. The residual value of an asset is the estimated amount that the Company would obtain on its sale after deducting the estimated selling expenses.

On May 21, 2012 the Government announced the reduction of the IPI tax on new cars of up to 7 p.p., initially established to be effective until August 31, 2012. The validity of this reduction has been successively extended and is now expected to end in June 2013, with the tax rate being gradually returned during the first half of 2013.

In accordance with Technical Pronouncement CPC 27, applicable to property and equipment, paragraph 51, the residual value and the useful life of an asset are reviewed at least at the end of each year and, if the expectation differs from previous estimates, the change must be accounted for as an accounting estimate change, under Technical Pronouncement CPC 23.

In view of the above, the Company reviewed the residual value and the useful life of its fleet and concluded that the reduction of the IPI tax on new cars caused the reduction of the estimated residual value of the fleet by about R$180.5 million, of which approximately R$116.0 million was in the Car Rental Division and R$64.5 million was in the Fleet Rental Division.

After the Government's announcement of the IPI reduction, the Company adjusted the depreciation of its fleet to reflect the expected drop in the market value of cars. The additional depreciation of cars in the fleet at the end of each period is accounted for as follows:

R$ million

Division	9M12	4Q12	Subtotal	Estimate as from 2013 (*)	2013 estimate
Car Rental	105.0 90.6%	6.2 5.3%	111.2 95.9%	4.8 4.1%	116.0 100.0%
Fleet Rental	25.7 39.8%	7.6 11.8%	33.3 51.6%	31.2 48.4%	64.5 100.0%
Consolidado	130.7	13.8	144.5	36.0	180.5

Fleet

Cars per year of end useful life			
2013	2014	2015	Total
(*) 25,454 99.5%	129 0.5%	4 0.0%	25,587 100.0%
(**) 10,138 41.8%	10,598 43.7%	3,512 14.5%	24,248 100.0%
(**) 35,592	10,727	3,516	49,835

(*) The additional depreciation, estimated at R$36 million, will be recorded prospectively beginning in 2013, and may be revised due to future changes in the estimated market residual value, including due to the end of the reduction of the IPI on new cars.
(**) This number includes 17,558 cars of the Car Rental Division and 2,576 cars of the Fleet Rental Division that completed their estimated useful lives in 2012 and will be reviewed for their end estimated in the first quarter of 2013.

As of December 31, 2012, 61% of the Car Rental Division fleet consisted of cars purchased after the IPI reduction.

9. INTANGIBLE ASSETS

(a) *Software*

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

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
Cost:		
On December 31, 2011	25,561	26,657
Additions	22,372	23,494
Write-offs	(3,793)	(4,203)
Transfers	(1,822)	(1,222)
On December 31, 2012	**42,318**	**44,726**
Accumulated amortization:		
On December 31, 2011	(7,835)	(8,368)
Additions	(3,966)	(4,233)
Write-offs	3,758	4,064
Transfers	32	32
On December 31, 2012	**(8,011)**	**(8,505)**
Residual value of software:		
On December 31, 2011	17,726	18,289
On December 31, 2012	34,307	36,221

As of December 31, 2012, the estimated amortization expenses for the next five years were as follows:

	Individual (BR GAAP)	Consolidated (IFRS and BR GAAP)
2013	4,098	4,482
2014	3,542	3,907
2015	3,011	3,367
2016	2,249	2,538
2017	620	724
Unamortized software residual value	**13,520**	**15,018**
Software in the implementation stage (*)	20,787	21,203
Residual value of software	**34,307**	**36,221**

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

Expenses on amortization of software are allocated under the captions "Cost", "Selling expenses" and "General, administrative and other expenses", in the 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)	
	12/31/12	12/31/11
Goodwill on acquisition of non-controlling 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 a noncontrolling interest in subsidiaries, allocated to the Car Rental Division, is no longer amortized beginning January 1, 2009 and this 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)	
	12/31/12	12/31/11	12/31/12	12/31/11
Car makers	246,725	345,739	288,403	405,317
Maintenance services and parts	23,614	23,947	32,903	37,136
Rentals	5,802	4,428	5,808	1,829
Insurance policies	14,268	11,841	14,268	11,841
Other	14,192	29,657	14,770	32,532
Total	**304,601**	**415,612**	**356,152**	**488,655**

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)	
	12/31/12	12/31/11	12/31/12	12/31/11
Management fees	2,362	5,686	4,724	5,686
Accrued vacation	16,174	13,402	21,472	17,686
Provision for employee profit sharing	13,8	20,607	19,066	27,871
Social security contribution (INSS)	3,796	3,752	5,171	4,883
Severance pay fund (FGTS)	842	846	1,136	1,065
Other	1,138	1,198	1,619	1,491
Total	**38,112**	**45,491**	**53,188**	**58,682**

Localiza makes semiannual profit sharing payments for employees, based on their categories and performance evaluation, classified as "Cost", "Selling expenses" and "General, administrative and other 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)			
	12/31/12	12/31/11	12/31/12	12/31/11	Maturity	Effective interest rate
local currency (R$)						
Debentures - 2nd issuance (a)	133,161	211,457	133,161	211,457	07/02/12 to 07/02/14	CDI + 0.6% p.a.
Debentures - 4th issuance (a)	349,244	375,747	349,244	375,747	05/05/13 to 05/05/17	114.2% of CDI
Debentures - 5th issuance (a)	500,001	501,415	500,001	501,415	05/30/16 to 05/30/17	114.5% of CDI
Debentures - 6th issuance (a)	303,884	-	303,884	-	10/15/16 to 10/15/19	CDI + 1.07% p.a.
Debentures - 1st issuance (Total Fleet) (a)	-	-	-	308,664	09/30/14 to 09/30/15	CDI + 2.0% p.a.
Working capital and other (b)	187,013	216,026	416,938	347,946	04/01/12 to 12/15/19	Equivalent to CDI + 1.5%pa + IOF or ISS, if applicable
Swap Fixed (c)	890	-	3,482	-	-	-
In foreign currency:						
Foreign currency loans - US dollar	348,381	329,196	348,381	329,196	08/17/15 to 08/16/17	108.4% and 114.7% of CDI
Total	**1,822,574**	**1,633,841**	**2,055,091**	**2,074,425**		
Current liabilities	**141,238**	**119,511**	**210,059**	**130,945**		
Noncurrent liabilities	**1,681,336**	**1,514,330**	**1,845,032**	**1,943,480**		

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Initial Balance	**1,633,841**	**1,168,879**	**2,074,425**	**1,696,755**
Funding	303,588	653,000	425,909	788,051
Interest and financial charges	150,917	169,114	192,399	231,049
Repayment of principal	(123,508)	(217,581)	(450,509)	(404,348)
Interest amortization	(143,154)	(139,571)	(190,615)	(237,082)
Swap fixed	890	-	3,482	-
Final Balance	**1,822,574**	**1,633,841**	**2,055,091**	**2,074,425**

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

(a) Debentures

As of December 31, 2012, Localiza had four debentures issued, all non-convertible into shares. Localiza debentures are subject to certain covenants, as described below: **(i)** request or declaration of bankruptcy by the issuer or third parties that is not duly resolved within the legal term; **(ii)** default of individual or aggregate amount equal to or higher than R$25,000; **(iii)** Localiza capital decrease and/or repurchase of its own shares for cancellation, except if previously authorized by the debenture holders; **(iv)** incorporation, merger or spin-off of Localiza, except if under the terms of Article 231 of the Brazilian Corporate Law or if the spin-off portion or the company resulting from the amalgamation or merger remain in the current Controlling Group of the issuer; **(v)** lowering of the issuance rating by Standard & Poor's in two or more notches of the risk rating at national scale, in relation to the rating granted on the issuance date, of which: a) for the second issuance, in relation to the rating brAA- (BR, double A, negative); b) for the 4th issuance, in relation to the rating brAA- (BR, double A, negative); c) for the 5th issuance, in relation to the rating granted brAA (BR, double A) and; d) for the 6th issuance, if the issuer's corporate rating is lowered to brA+ (BR, A, positive), due to any change in shareholding structure that results in the loss, transfer or disposal of the Company's controlling power by current controllers; and **(vi)** non-maintenance of quarterly financial ratios, based on the Company's consolidated financial statements, as follows:

Issuance	Net Debt/ EBITDA(*) (maximum limit)	EBITDA(*)/Financial expenses, net (minimum limit)
Second issuance	3.25	2.00
Fourth, fifth and sixth issuance	4.00	1.50

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

Expenses incurred on the issuance of Localiza's debentures, including taxes, commissions and other costs, which totaled R$8,610, are classified under the same caption as the respective debentures and are recognized over the total debt period. As of December 31,

2012, the amount to be recognized was R$4,948, and was presented net in each respective debenture.

In addition, the Company has loans and financing that are subject to certain covenants, under similar conditions to those applicable to the debentures. As of December 31, 2012, management understands that the restrictive covenants applicable to loans, financing and debentures were being complied with.

The other characteristics of each issuance are as follows:

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

On July 10, 2007, Localiza recorded the issuance of 20,000 debentures at 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 seven years, with amortization on the 5th, 6th and 7th years and semiannual interest payments. No guarantee and/or collateral are pledged for this debenture issuance.

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

In June 2012, Localiza settled the first installment of this issuance of debentures, in the principal amount of R$66,600.

- Fourth 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 a floating guarantee, in two series, being the 1st series in the amount of R$240,000 and the 2nd series in the amount of R$130,000, with par value of R$1,000 on the issuance date, May 5, 2010. Their term is seven years, with amortization in six installments for the first series and four installments for the second series. Debentures will yield interest payable semiannually. No guarantee and/or collateral are pledged for this debenture issuance.

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

In May 2012, Localiza paid the first installment of this issuance of debentures, in the principal amount of R$24,000.

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

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

  This issuance is subject to optional early redemption, wholly or partially, beginning May 29, 2013, at the sole discretion of Localiza, through the payment of the nominal amount, plus 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.

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

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

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

- First 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. The maturity is in six years, with repayment in four successive, equal installments, the first one due on September 30, 2012 and the last one due on September 30, 2015, and semiannual interest payments. This debenture issuance is collateralized by Localiza surety.

This issuance is subject to optional early redemption, at 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. Accordingly, on June 29, 2012, Total Fleet settled in advance the second installment of its single issuance of debentures, originally maturing on September 30, 2013, in the principal amount of R$100,000. In September 2012, Total Fleet settled in advance the amount of R$200,000, originally maturing on September 28, 2014 and 2015, thus settling its debenture in full.

(b) Working Capital and Other

(i) Working Capital

On December 15, 2009, Localiza contracted R$150,000 with final maturity on November 23, 2015. The principal will be amortized in four installments, at the following maturities and amounts: R$15,000 on November 23, 2012, R$30,000 on November 23, 2013, R$45,000 on November 23, 2014 and R$60,000 on November 23, 2015. Interest is paid semiannually, on maturity and settlement. This transaction is collateralized by 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 with final maturity on June 18, 2016 in this type of working capital loan. The principal will be amortized in four installments at the following maturities and amounts: 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 semiannually, on maturity and settlement. This contract is collateralized by Total Fleet surety.

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

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

(ii) Finance lease

As of December 31, 2012, the Company had finance lease transactions as mentioned in Note 23.

(iii) Foreign currency loan

In order to reduce its loan costs and extend amortization terms, the Company contracts loans in foreign currency. As a strategy to manage foreign exchange rate risk, the Company simultaneously and mandatorily contracts swap transactions (plain vanilla) under identical conditions of amounts, terms and rates, exchanging the exposure from foreign exchange variation 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 of December 31, 2012, the Company had two foreign currency-denominated loan agreements:

- On June 29, 2010, Localiza contracted a loan of US$95,506, with principal and interest maturing on May 25, 2016. This amount was converted into Brazilian reais at the rate of R$1.78 for each US$1.00, resulting in funds rose 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 a loan agreement in the amount of US$75,000 equivalent to R$123,000 with settlement within six years; the related funds were released to Localiza in November 2011. Simultaneously, beginning on the same date of the release of funds, a swap transaction (plain vanilla) was contracted to eliminate the foreign currency exposure risk, under identical conditions of amounts, term and rate, exchanging foreign exchange variation plus interest (three-month LIBOR + 1.6% per annum) for 102.5% of CDI variation.

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 fourth and fifth issuance of debentures of Localiza, respectively.

(c) Fixed Swap

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

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

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

13. OTHER CURRENT AND NONCURRENT LIABILITIES

Other current and noncurrent liabilities are broken down as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/12	12/31/11	12/31/12	12/31/11
Amounts recorded in a separate line of current liabilities:				
Equity deficit of subsidiaries (Note 7(b))	7,207	23,176	-	-
Payables to subsidiaries (Note 7 (b))	1,731	115	-	-
Other federal taxes	3,968	5,050	6,978	7,765
Municipal tax obligations	1,682	1,400	2,357	1,560
	14,588	29,741	9,335	9,325
Other current liabilities:				
Advances from rental customers	17,637	13,639	20,055	15,241
Insurance premiums for transfer (*)	29,640	14,317	29,819	14,317
Deferred financing incentive	33	452	4,045	2,984
Other	6,144	775	6,821	2,792
	53,454	29,183	60,740	35,334
Total current liabilities	68,042	58,924	70,075	44,659
Other noncurrent liabilities:				
Deferred financing incentive	101	329	11,931	8,882
Other	13,947	15,130	18,050	20,378
	14,048	15,459	29,981	29,260
Total current and noncurrent liabilities	**82,090**	**74,383**	**100,056**	**73,919**

(*)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. PROVISION AND ESCROW DEPOSITS

(a) Provision and contingent liabilities

(i) Recognized judicial provision

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

In 2012 no significant changes occurred in the provision for contingencies, as shown in the table below:

	Individual (BR GAAP)				
	Tax	Social security	Labor	Civil	Total
As of December 31, 2011	**5,532**	**4,181**	**10,001**	**5,225**	**24,939**
Recognition (reversal) of provision, net	(1,604)	1,905	5,200	1,994	7,495
Payments	-	-	(2,161)	(2,212)	(4,373)
Inflation adjustment, net	(450)	191	-	-	(259)
Transfers (*)	(1,315)	-	-	-	(1,315)
As of December 31, 2012	**2,163**	**6,277**	**13,040**	**5,007**	**26,487**

	Consolidated (IFRS and BR GAAP)				
	Tax	Social security	Labor	Civil	Total
As of December 31, 2011	**7,948**	**4,229**	**12,124**	**5,779**	**30,080**
Recognition (reversal) of provision, net	(2,079)	2,387	7,040	4,117	11,465
Payments	-	-	(2,481)	(2,266)	(4,747)
Inflation adjustment, net	(642)	209	114	3	(316)
Transfers (*)	(1,315)	-	-	-	(1,315)
As of December 31, 2012	**3,912**	**6,825**	**16,797**	**7,633**	**35,167**

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

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:

Labor:

- Localiza and its subsidiaries are parties to several labor lawsuits, mainly related to the possible recognition of the 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 of December 31, 2012, some of these lawsuits are collateralized by bank guarantees totaling R$1,314 (R$1,172 as of December 31, 2011).

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 was sued several times for being the owner of the car. The consolidated amounts accrued as of December 31, 2012, in the amount of R$7,633 (R$5,779 as of December 31, 2011), 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.

Social Security:

- Localiza and its subsidiaries are parties to several social security lawsuits, mainly related to: i) indemnity amounts, ii) education allowance, INCRAon the payment of independent contractors and labor claims, and iii) Social Security Adjustment Factor (FAP). There are law abridgements and court decisions that support the Company's position. These lawsuits are collateralized by bank guarantees and escrow deposits totaling $14,340 as of December 31, 2012 (R$18,250 as of December 31, 2011).

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

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

- Localiza and its subsidiary Total Fleet are parties to administrative and legal lawsuits referring basically to the levy of ICMS (state VAT) on transfers of cars from its fixed asset between its branches, as well as on the sale of decommissioned cars from the rental activity. Localiza and its 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 on prior court decisions, among which is Abstract 166. In some lawsuits, the Company presents bank guarantees to suspend the Revenue Service tax credit, in the amount of R$21,230 as of December 31, 2012 (R$14,532 as of December 31, 2011).

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

- Localiza received several tax assessment notices referring basically to the levy of ISS – tax on services, on fuel refunds charged from and discounts granted to customers. Localiza does not recognize a provision to cover these challenges as its legal counsel, based on prior court decisions, estimates the likelihood of loss as remote. In some lawsuits, the Company presented bank guarantees to suspend the Revenue Service tax credit amounting to R$7,870 as of December 31, 2012 (R$6,285 as of December 31, 2011).

  Localiza and its subsidiaries are parties to several social security lawsuits challenging mainly the non-payment of certain social security contributions related to amounts paid as private pension plans, life insurance, and profit sharing, among others, in the total non-accrued amount of R$7,494. The legal counsel, based on the jurisprudence and prior favorable decisions, assesses the likelihood of loss as remote and, therefore, no provision was recognized as it is not a legal obligation.

- Localiza and its subsidiary Total Fleet are parties to several lawsuits challenging the payment of the Tax on Vehicles (IPVA) in the State of São Paulo, based on State Law 13296/2008. The Company and its subsidiary Total Fleet have their tax domicile in Belo Horizonte, State of Minas Gerais, where their headquarters are located, and, in compliance with Article 120 of the National Traffic Code, their vehicles are registered in that city and the IPVA is paid to the State of Minas Gerais. The Company does not recognize a provision regarding these challenges as the likelihood of loss is only possible, according to the legal advisors, on the basis of the legal and constitutional provisions that govern the IPVA (articles 155, III and 158, III, of CF/88 and articles 120 of CTB, 75, IV and § 1 of the Civil Code, 110 and 127 of CTN). These lawsuits are collateralized by bank guarantees and escrow deposits, in the amount of R$7,398 as of December 31, 2012.

(b) Escrow deposits

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

	Individual (BR GAAP)				
	Tax	Social security	Labor	Civil	Total
As of December 31, 2011	**13,350**	**4,952**	**2,565**	**1,758**	**22,625**
Recognized escrow deposits, net of write-offs	(1,531)	-	613	37	(881)
Inflation adjustment, net	(1,286)	166	-	341	(779)
Transfers (*)	(1,315)	-	-	-	(1,315)
As of December 31, 2012	**9,218**	**5,118**	**3,178**	**2,136**	**19,650**

	Consolidated (IFRS and BR GAAP)				
	Tax	Social security	Labor	Civil	Total
As of December 31, 2011	**14,767**	**4,967**	**3,485**	**1,801**	**25,020**
Recognized escrow deposits, net of write-offs	(1,033)	-	1,120	37	124
Inflation adjustment, net	(1,286)	151	-	348	(787)
Transfers (*)	(1,315)	-	-	-	(1,315)
As of December 31, 2012	**11,133**	**5,118**	**4,605**	**2,186**	**23,042**

(*)Refer mainly to amounts that have been offset against "provision", 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 from 2010. Localiza and subsidiary Total Fleet opted for the RTT which determines that accounting methods and criteria should be maintained for tax purposes, as when they used in Brazilian Corporate Law prevailing through December 31, 2007.

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

The breakdown of deferred income tax and social contribution as of December 31, 2012 and 2011, is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/12	12/31/11	12/31/12	12/31/11
Temporary differences in the deductibility of provision:				
Provision for payables to suppliers and others	1,044	899	3,073	1,015
Provision for litigation	8,761	7,613	9,858	8,223
Allowance for doubtful accounts	1,144	1,369	1,414	3,395
Swap transactions with payments on a cash basis	9,255	6,799	10,136	6,799
Tax loss carry-forwards	-	-	29	350
Total deferred income tax and social contribution assets - noncurrent	**20,204**	**16,680**	**24,510**	**19,782**
Car depreciation (*)	45,695	58,170	72,579	92,018
Other	1,131	355	4,228	355
Total deferred income tax and social contribution liabilities - noncurrent	**46,826**	**58,525**	**76,807**	**92,373**

(*) Refers to the temporary difference in the calculation of depreciation and residual value, introduced by the new accounting practices (adoption of IFRS). Localiza and 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 provision that gave rise to them deductible, as provided for by prevailing tax legislation.

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

The reconciliation between nominal and effective rates for the years ended December 31, 2012 and 2011 is as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Pretax income	254,752	353,291	327,126	416,667
Nominal rate	34%	34%	34%	34%
Nominal expense	**(86,616)**	**(120,119)**	**(111,223)**	**(141,667)**
Adjustments to nominal expense:				
Equity in subsidiaries	54,145	42,361	-	-
Effect of the deduction of interest on capital	20,625	17,185	20,625	17,185
Other, net	(1,970)	(1,076)	4,408	(543)
Effective expense	**(13,816)**	**(61,649)**	**(86,190)**	**(125,025)**

Franchising Brasil, Car Rental and Car Assistance calculated, through December 31, 2012, income tax and social contribution under the deemed income regime in the amounts of R$2,274 (R$2,094 as of December 31, 2011), R$1,912 (R$1,429 as of December 31, 2011) and R$1,918 (R$672 as of December 31, 2011), respectively. For this reason, these companies do not account for deferred taxes.

(c) Income tax and social contribution payable

As of December 31, 2012 and 2011, Localiza and its subsidiaries calculated income tax and social contribution under 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)	
	12/31/12	12/31/11	12/31/12	12/31/11
Income tax and social contribution	8,399	19,706	26,035	32,543

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 of December 31, 2012 and 2011, comprised 201,708,000 registered common shares, without par value, and may be increased by a resolution of the Board of Directors by up to 43,962,000 common shares.

As of December 31, 2012 and 2011, interest in capital and the related reconciliation of the number of outstanding shares were as follows:

	Management				
	Founder-partners	Board of Directors and Board of Executive Officers	Treasury shares	Outstanding shares	Number of shares -ON
Balance as of December 31, 2011	**68,129,621**	**228,825**	**4,183,180**	**129,166,374**	**201,708,000**
Acquisition (sale) of shares, net	(6,488,431)	(168,301)	-	6,656,732	-
Exercise of stock options held in treasury	285,064	140,313	(1,024,831)	599,454	-
Balance as of December 31, 2012	**61,926,254**	**200,837**	**3,158,349**	**136,422,560**	**201,708,000**

In a meeting held on December 15, 2011, the Board of Directors approved the launching of the Company's Level I American Depositary Receipts - (ADRs - ("ADR Program").). The ADR Level I Program did not result in capital increase or issuance of new shares, and aims at increasing the access of foreign investors to the Company, as well as to increase share liquidity. The Program was approved by CVM – Brazilian Security Exchange Commission - on May 22, 2012 and trading began on June 5, 2012. As of December 31, 2012, the Company's position was 475,510 ADRs in the United States.

(b) Interest on Capital and Dividends

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

Interest on capital and dividends was calculated as follows:

	Individual (BR GAAP)	
	2012	2011
Net income for the year	240,936	291,642
Legal reserve (5%)	(12,047)	(14,582)
Adjusted net income - basis for dividends proposal	228,889	277,060
Minimum dividends (25%)	**57,222**	**69,265**
Proposed/distributed dividends and interest on capital:		
Dividends	5,143	26,302
Interest on capital	60,661	50,544
Subtotal	**65,804**	**76,846**
Withholding income tax (IRRF) on interest on capital	(8,582)	(7,581)
Total	**57,222**	**69,265**
Percentage on adjusted net income for the year	25.0%	25.0%
Dividends and interest on capital per share, net of treasury shares	**R$0.288**	**R$0.351**

(i) Interest on capital

The Company quarterly pays 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:

Approval date	Total amount paid	Amount per share (in R$)	Shareholding position date	Payment date
03/24/11	11,351	0.057472	03/31/11	05/19/11
06/30/11	12,119	0.061369	07/01/11	08/25/11
09/22/11	13,006	0.065844	09/30/11	11/18/11
12/15/11	14,068	0.071221	12/29/11	02/10/12
Total 2011	**50,544**			

Approval date	Total amount paid	Amount per share (in R$)	Shareholding position date	Payment date
03/07/12	14,417	0.072981	03/15/12	05/03/12
06/21/12	15,436	0.077831	06/29/12	08/17/12
09/20/12	14,956	0.075351	09/28/12	11/14/12
12/18/12	(*) 15,852	0.079835	12/28/12	02/08/13
Total 2012	**60,661**			

(*) As of December 31, 2012 this interest on capital had not been paid to shareholders.

(ii) Dividends

At the Annual Shareholders' Meeting, held on April 13, 2012, the proposal for distribution of dividends was approved in the amount of R$26,302 relating to net income for 2011. Payment was made on June 6, 2012.

As of December 31, 2012 Management proposed approval at the Annual Shareholders' Meeting of the allocation of the amount of R$5,143 for payment of dividends to shareholders to complete the dividend of 25% of net income, considering the payment of interest on capital net of withholding income tax.

(iii) Dividends and interest on capital payable

Dividends and interest on capital payable is as follows:

	Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	12/31/12	**12/31/11**
Dividends on net income for the year	5,143	26,302
Interest on capital	15,852	14,068
Withholding income tax on interest on capital	(2,336)	(2,076)
Total dividends and interest on capital payable	**18,659**	**38,294**

(c) Capital reserve

(i) Recognized options granted

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

- Stock Option Plan - Consolidated Information

The Company currently maintains six Stock Option Plans within the scope of the Company's Repurchase Program, 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 one to two years, and ii) performance in exercising their duties.

The 2007 to 2011 Stock Option Plans are divided into four annual tranches, and the number of options per tranche is 25% of total options granted in each of the programs. The 2012 program will have only one tranche as from the date of maturity. The vesting period for the eligible employee to acquire the right to exercise the option is from three to six years and the share purchase option may be exercised at any time beginning as of the right acquisition date up to the option exercise limit date.

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

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

	Programs					
	2012	2011	2010	2009	2008	2007
Approval meeting date	07/19/12	04/28/11	05/20/10	09/15/09	07/30/08	03/09/07
Number of granted/approved options	616,484	1,022,913	970,493	1,038,224	900,000	900,000
Number of eligible employees	27	499	413	357	293	277
Number of options per tranche	616,484	255,728	242,623	259,556	225,000	225,000
Number of tranches	1	4	4	4	4	4
First tranche exercise year (*)	2015	2014	2013	2012	2011	2010
Limit date to exercise the options	May/18	Apr/18	Apr /17	Apr /16	Apr /15	Apr /14

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

Changes in the six Stock Option Plans through December 31, 2012, are as follows:

	Beginning of period		Granting/Approval			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										
12/31/11	203	733,875	-	-	(*)	10	14,058	-	193	719,817
12/31/12	193	719,817	-	-	(*)	8	12,924	452,717	185	254,176
2008 Plan										
12/31/11	246	819,116	-	-	(*)	11	21,453	-	235	797,663
12/31/12	235	797,663	-	-	(*)	11	19,490	334,647	224	443,526
2009 Plan										
12/31/11	315	987,460	-	-	(*)	20	34,501	43,120	295	909,839
12/31/12	295	909,839	-	-	(*)	15	21,147	188,825	280	699,867
2010 Plan										
12/31/11	382	939,497	-	-	(*)	27	34,153	-	355	905,344
12/31/12	355	905,344	-	-	(*)	25	22,608	48,642	330	834,094
2011 Plan								-		
12/31/11	-	-	499	1,022,913	(*)	32	14,398	-	467	1,008,515
12/31/12	467	1,008,515	-	-	(*)	37	28,379	-	430	980,136
2012 Plan								-		
12/31/12	-	-	27	616,484	33.36	-	-	-	27	616,484

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

In 2011 and 2012, stock options relating to the 2009 and 2010 Stock Option Plans which, although not vested, were exercisable in the case of employee retirement.

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
2012	-	-	-	-	-	33.36	-	-

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

As of December 31, 2012 the following weighted average assumptions were used to calculate the fair value of each of the tranches of the six Stock Option Plans:

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

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

In 2012, the consolidated compensation cost arising from these six programs was R$7,136 (R$6,686 in 2011), with R$5,680 referring to employees of the Company and R$1,456 referring to the subsidiaries' employees.

Considering the exercise of the options existing as of December 31, 2012, the interest dilution percentage to which current shareholders may be subject is 1.9%.

(ii) Options exercised in 2012

Up to December 31, 2012, 1,024,831 stock options in relation to the 2007 to 2010 Stock Option Plans were exercised. The weighted average strike prices of options exercised, as well as the weighted average fair value of Localiza's shares on the vesting date, were as follows:

Program	Number of options exercised	Fair value	Calculation by the fair value	Weighted average strike price	Weighted average fair value
2007 Plan	452,717	7.09	3,248	R$25.09	R$33.77
2008 Plan	334,647	0.88	294	R$23.33	R$33.76
2009 Plan	188,825	12.21	2,306	R$8.38	R$33.30
2010 Plan	48,642	12.10	589	R$23.56	R$35.30
Total	**1,024,831**		**6,437**		

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

(iii) Goodwill on share subscription

Reserve relating to the remaining balance of goodwill from the primary 2006 offering of Localiza shares in the amount of R$ 48,174. In addition, upon the exercise of 1,024,831 stock options during 2012, relating to the 2007 to 2011 programs, a goodwill in the amount of R$17,760 (R$441 in 2011) was generated, resulting in the balance of R$ 66,375 as of December 31, 2012.

(iv) Treasury shares

As of December 31, 2012, the number of treasury shares is 3,158,349 shares (4,183,180 as of December 31, 2011), acquired in the scope of the repurchase program approved in the Board of Directors' meeting held on December 18, 2007. These share acquisition costs as of December 31, 2012 including trading costs, net of realizations, (R$ 10,579 in 2012 and R$ 445 in 2011) were R$32,602, and the average unit cost was R$10.32 (minimum of R$5.15 and maximum of R$16.55). As of December 31, 2012, the market value of the 3,158,349 shares was R$118,438 (value of R$37.50 per share).

The Board of Directors authorized at the meeting held on July 19, 2012 the buyback of up to 8,447,000 Company shares under the Fourth Repurchase Program, to be held in treasury and subsequently sale or use in the stock option program without any capital reduction. The transaction deadline is 365 days beginning July 19, 2012, that is, July 18, 2013. Through December 31, 2012, no share was acquired by the Company under such program.

(d) Profit 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 of December 31, 2012 and 2011, R$12,047 and R$14,582 were recognized as legal reserve, respectively.

(ii) Bylaws reserve and profit retention

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

Considering that as of December 31, 2012 the provision for investment amounted to 78.4% of capital while the statutory limit is 80%, Management's proposal to the Annual and Extraordinary Shareholders' meeting is as follows:

i. retention of profit in the amount of R$163,201, from the 2012 remaining profit, after deduction of the legal reserve and mandatory minimum dividends, to ensure funds for fleet renewal, supported by capital budget and reflected in the financial statements.

ii. capital contribution with a portion of the Reserve for Investment, of R$375,000, through stock dividends, as this reserve has reached its statutory limit, not reflected in the financial statments.

(e) Valuation Adjustments to Equity

Reserve used to account for the deemed cost of Localiza's and Total Fleet's cars were measured at their fair values, upon first-time adoption of the IFRS on January 1, 2009, as set forth in Note 8 (a). As of December 31, 2012 no valuation adjustments to the equity balance remained as the amounts were realized over the course of 2012.

17. EARNINGS PER SHARE

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

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

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

	Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
	2012	**2011**
Net income for the year	**240,936**	**291,642**
Basic earnings per share:		
Weighted average outstanding shares (in units)	198,215,873	197,493,764
Basic earnings per share (in R$)	**1.21552**	**1.47671**
Diluted earnings per share:		
Weighted average of outstanding shares (in units)	198,215,873	197,493,764
Dilutive effect of share purchase options (in units)	949,447	739,433
Total of shares applicable to dilution (in units)	199,165,320	198,233,197
Earnings per share (in R$) - diluted	**1.20973**	**1.47121**

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 corporations, including insurance companies and car makers. As part of its fleet renewal program, the Car Rental Division decommissions its cars 12 months after it having been used in rental. The major portion of decommissioned cars are sold directly to the final consumer, by means of an owned network of points for sale, since this is the less expensive alternative in relation to the discounts requested by other sales intermediation channels.

- Fleet Rental: division responsible for fleet rental to corporations 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 final consumers by means of an owned network of points of sale and car dealers.

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

(a) Operating segment financial information

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

	Car rental		Fleet rental		Franchising		Unallocated balances		Eliminations		Consolidated (IFRS and BR GAAP)	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Assets												
Cash and cash equivalents	-	-	-	-	-	-	823,866	711,002	-	-	823,866	711,002
Trade accounts receivable	297,345	284,437	61,863	65,270	9,214	6,520	-	-	3,284	2,787	365,138	353,440
Decommissioning cars for fleet renewal	26	36	13,251	28,956	-	-	-	-	-	-	13,277	28,992
Property and equipment	1,836,479	1,918,312	868,592	875,736	158	188	-	-	-	-	2,705,229	2,794,236
Other assets	168,222	169,550	11,817	3,970	3,446	1,847	-	-	45,087	53,483	138,398	121,884
Total assets	**2,302,072**	**2,372,335**	**955,523**	**973,932**	**12,818**	**8,555**	**823,866**	**711,002**	**48,371**	**56,270**	**4,045,908**	**4,009,554**
Liabilities												
Trade accounts payable	305,539	416,309	53,131	74,885	791	174	-	-	3,309	2,713	356,152	488,655
Loans, financing and debentures	-	-	-	-	-	-	2,055,091	2,074,425	-	-	2,055,091	2,074,425
Other liabilities	248,979	288,407	95,142	102,362	18,060	11,858	-	-	52,269	76,736	309,912	325,891
Total liabilities	**554,518**	**704,716**	**148,273**	**177,247**	**18,851**	**12,032**	**2,055,091**	**2,074,425**	**55,578**	**79,449**	**2,721,155**	**2,888,971**
Shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**1,324,753**	**1,120,583**	**-**	**-**	**1,324,753**	**1,120,583**
Total liabilities and shareholders' equity	**554,518**	**704,716**	**148,273**	**177,247**	**18,851**	**12,032**	**3,379,844**	**3,195,008**	**55,578**	**79,449**	**4,045,908**	**4,009,554**

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

	Car Rental		Fleet Rental		Franchising		Amounts not allocated/ Eliminations		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Net revenue	2,344,041	2,221,850	805,447	682,027	17,312	14,253	-	-	3,166,800	2,918,130
Costs	(1,772,816)	(1,575,518)	(548,169)	(429,809)	(8,310)	(6,878)	(3,696)	(2,955)	(2,332,991)	(2,015,160)
Gross profit	**571,225**	**646,332**	**257,278**	**252,218**	**9,002**	**7,375**	**(3,696)**	**(2,955)**	**833,809**	**902,970**
Operating expenses:										
Selling expenses	(231,137)	(199,477)	(36,756)	(27,173)	(94)	(170)	1,932	2,395	(266,055)	(224,425)
General, administrative and other expenses	(81,042)	(69,003)	(22,632)	(14,524)	(16)	129	1,764	560	(101,926)	(82,838)
Income before financial income (expenses)	**259,046**	**377,852**	**197,890**	**210,521**	**8,892**	**7,334**	**-**	**-**	**465,828**	**595,707**
Financial expenses, net									(138,702)	(179,040)
Income tax and social contribution									(86,190)	(125,025)
Net income									**240,936**	**291,642**

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

	Consolidated (IFRS and BR GAAP)	
	2012	2011
Brazil	3,166,336	2,917,752
Abroad	464	378
Net revenue	**3,166,800**	**2,918,130**

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

	2012	2011
Car Rental:		
Depreciation of cars	212,710	86,357
Depreciation of other property and equipment and amortization of intangible assets	31,328	23,699
Fleet Rental:		
Depreciation of cars	164,178	115,136
Depreciation of other property and equipment and amortization of intangible assets	1,193	298
Franchising:		
Depreciation of other property and equipment and amortization of intangible assets	447	97
Total depreciation and amortization expenses	**409,856**	**225,587**

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)	
	2012	2011	2012	2011
Gross revenue	2,321,268	2,239,681	3,239,773	2,989,165
Deductions:				
Discounts	(11,369)	(8,206)	(12,972)	(9,365)
Taxes	(32,495)	(38,134)	(60,001)	(61,670)
Net revenue	**2,277,404**	**2,193,341**	**3,166,800**	**2,918,130**

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Revenues from rental:				
Cars	1,045,173	976,836	1,093,744	980,708
Fleets	-	-	535,750	455,048
Franchising	464	378	17,312	14,253
Cars disposed for fleet renewal	1,231,767	1,216,127	1,519,994	1,468,121
Net revenue	**2,277,404**	**2,193,341**	**3,166,800**	**2,918,130**

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

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

	Costs				Selling, general and administrative and other			
	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)		Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011	2012	2011	2012	2011
Cost of cars sold	(1,068,538)	(1,092,003)	(1,305,835)	(1,289,466)	-	-	-	-
Depreciation of cars	(212,710)	(86,357)	(376,888)	(201,493)	-	-	-	-
Car maintenance, car tax (IPVA) and other	(192,278)	(137,439)	(299,187)	(223,441)	-	-	-	-
Depreciation and amortization of other property and equipment and intangible assets	(15,287)	(13,831)	(15,806)	(13,900)	(17,147)	(9,868)	(17,162)	(10,194)
Payroll and related taxes	(141,467)	(120,643)	(165,502)	(136,102)	(100,009)	(81,513)	(156,954)	(125,720)
Profit sharing	(12,222)	(11,523)	(15,357)	(13,905)	(11,288)	(10,848)	(16,167)	(16,943)
Outside services	(21,251)	(19,900)	(24,697)	(22,776)	(36,504)	(26,669)	(37,982)	(29,026)
Property lease and other	(68,634)	(56,880)	(70,583)	(58,208)	(37,038)	(25,098)	(37,038)	(26,522)
Commissions	-	-	-	-	(19,796)	(16,100)	(20,448)	(17,657)
Advertising	-	-	-	-	(39,839)	(40,363)	(39,856)	(42,604)
Other	(55,834)	(52,260)	(59,136)	(55,869)	(26,138)	(33,871)	(42,374)	(38,597)
	(1,788,221)	**(1,590,836)**	**(2,332,991)**	**(2,015,160)**	**(287,759)**	**(244,330)**	**(367,981)**	**(307,263)**

21. FINANCIAL INCOME (EXPENSES)

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Financial income				
Interest income from short-term investments	47,038	41,289	57,120	52,227
Other interest income	2,422	6,163	3,459	8,104
	49,460	**47,452**	**60,579**	**60,331**
Financial expenses				
Interest expense from loans, financing and debentures	(151,807)	(169,490)	(195,881)	(231,049)
Other interest expenses	(3,577)	(7,437)	(3,400)	(8,322)
	(155,384)	**(176,927)**	**(199,281)**	**(239,371)**
Financial expenses, net	**(105,924)**	**(129,475)**	**(138,702)**	**(179,040)**

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)	
	12/31/12	12/31/11	12/31/12	12/31/11
Financial assets				
Loans and receivables measured at amortized cost				
Cash and cash equivalents (Note 4)	713,017	597,741	823,866	711,002
Trade accounts receivable (Note 5)	291,414	278,913	365,138	353,440
Escrow deposits (Note 14(b))	19,650	22,625	23,042	25,020
Financial liabilities				
Other financial liabilities measured at amortized cost				
Trade accounts payable (Note 10)	304,601	415,612	356,152	488,655
Loans, financing and debentures (Note 12)	1,822,574	1,633,841	2,055,091	2,074,425

(a) Risk management

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

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

(i) Market risk

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

The Company's financial instruments that are affected by the market risk include:
i) cash and cash equivalents; and ii) loans, financing 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 issues debt securities (debentures and promissory notes), that are substantially indexed to the CDI fluctuation. The inherent risk arises from the possibility of relevant increases in CDI.

As a strategy to manage interest rate risk, Management continuously monitors CDI in order to, if necessary, adjust 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% or 50% higher than the probable scenario), considering the following assumptions:

- As of December 31, 2012, the Company's net debt was R$1,231,225; see the breakdown of this amount in (b), item (i), below;

- Market expectation for the base date of December 31, 2012, according to data from the Focus Bulletin issued by the Brazilian Central Bank, is an estimated average effective CDI rate of 7.25%, considered as the probable scenario for 2013, against the effective rate of 8.41% in 2012.

	Consolidated (IFRS and BR GAAP)		
Description	**Probable Scenario (*)**	**Scenario I - 25% stress**	**Scenario II - 50% stress**
Net debt as of December 31, 2012	**1,231,225**	**1,231,225**	**1,231,225**
Effective CDI rate in 2012	8.41%	8.41%	8.41%
Estimated annual CDI, according to stress scenarios	7.25%	9.06%	10.88%
Effect on financial expenses:			
- according to effective rates	(103,546)	(103,546)	(103,546)
- according to scenarios	(89,263)	(111,549)	(133,957)
Annual (increase)/decrease in financial expenses	**14,283**	**(8,003)**	**(30,411)**

(*) As required by IFRS 7, Management understands that the 7.25% is the fairly possible scenario for 2013, according to Focus Bulletin of the Brazilian Central Bank.

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

(ii) Credit risk

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

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Loans and receivables				
Cash and cash equivalents:				
Short-term investments				
Aaa.br (*Moody´s* scale)	705,267	582,142	811,022	694,771
Cash and banks	7,750	15,599	12,844	16,231
Total cash and cash equivalents	713,017	597,741	823,866	711,002
Trade accounts receivable	291,414	278,913	365,138	353,440
	1,004,431	**876,654**	**1,189,004**	**1,064,442**

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

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

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

The Company reduces its credit risk by operating significantly with credit cards on car rental, mainly in transactions with individuals. As of December 31, 2012, two of the largest credit card companies accounted for 18.3% and 14.6% 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 and receivables is shown in Note 5.

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

(iii) Liquidity risk

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

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

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

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

Localiza is assigned an investment grade by three rating agencies, *Fitch Ratings, Moody's* and *Standard & Poors*.

The analysis of the undiscounted contractual cash flows of loans, financing and debentures, using the interest rate contracted for each transaction and SELIC of 7.25% as of December 31, 2012, is as follows:

	Individual (BR GAAP)							
	2013	2014	2015	2016	2017	2018	2019	Total
Debentures - 2ª issue	76,691	71,862	-	-	-	-	-	**148,553**
Debentures - 4ª issue	50,821	86,385	81,205	86,838	126,827	-	-	**432,076**
Debentures - 5ª issue	39,956	40,266	39,939	279,873	259,903	-	-	**659,937**
Debentures - 6ª issue	24,089	24,315	24,216	54,315	51,706	139,215	129,726	**447,582**
Commercial Credit Notes (NCC)	49,135	66,277	81,715	20,757	-	-	-	**217,884**
Fixed-rate swap	52	1,426	-	-	-	-	-	**1,478**
Lease	2,955	1,398	561	25	-	-	-	**4,939**
Foreign currency loan/swap	9,100	10,683	50,941	354,797	43,598	-	-	**469,119**
Total	**252,799**	**302,612**	**278,577**	**796,605**	**482,034**	**139,215**	**129,726**	**2,381,568**

	Consolidated (IFRS and BR GAAP)							
	2013	2014	2015	2016	2017	2018	2019	Total
Debentures - 2nd issue	76,691	71,862	-	-	-	-	-	**148,553**
Debentures - 4th issue	50,821	86,385	81,205	86,838	126,827	-	-	**432,076**
Debentures - 5th issue	39,956	40,266	39,939	279,873	259,903	-	-	**659,937**
Debentures - 6th issue	24,089	24,315	24,216	54,315	51,706	139,215	129,726	**447,582**
Commercial Credit Notes (NCC)	59,247	89,453	103,799	35,865	26,562	32,056	56,054	**403,036**
Fixed-rate swap	1,746	3,481	-	-	-	-	-	**5,227**
Lease	77,818	46,617	1,093	25	-	-	-	**125,553**
Foreign currency loan/ swap	9,100	10,683	50,941	354,797	43,598	-	-	**469,119**
Total	**339,468**	**373,062**	**301,193**	**811,713**	**508,596**	**171,271**	**185,780**	**2,691,083**

(b) Capital Management

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

- Ensuring the operating continuity of the Company;
- Ensuring a robust credit rating; and
- Maximizing 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 issuances that give rise to the maintenance of certain financial ratios, see Note 12(a).

(i) Debt ratio

Capital is monitored based on the Company's debt ratio, which corresponds to the net debt divided by equity. Net debt is defined by the Company as current and 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 of December 31, 2012 and 2011:

	Consolidated (IFRS and BR GAAP)	
	12/31/12	**12/31/11**
Short and long-term indebtedness (Note 12)	2,055,091	2,074,425
Cash and cash equivalents (Note 4)	(823,866)	(711,002)
Net debt	**1,231,225**	**1,363,423**
Shareholders' equity	1,324,753	1,120,583
Indebtedness level	**0.93**	**1.22**

(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 table below shows the financial liabilities measured at fair value in the Company's balance sheet as of December 31, 2012 and the categories of the data related to the respective liabilities:

	Level 2 (*)
Swap Fixed (classified in loans and financing)	3,482
	3,482

(*) The fair values were calculated based on models that use observable input and future assumptions about interest rates, among other applicable variables, by counterparty financial institutions in the respective transactions. The Company makes a reasonableness analysis of the calculations presented by these financial institutions by comparing them with similar calculations made by other parties for the same applicable period. There are no financial instruments measured at fair value in levels 1 and 3.

The estimated carrying amounts and fair values of borrowings, financing, and debentures are calculated based on models that use observable inputs and future assumptions about interest rates, among other applicable variables. The rates are obtained from financial institutions for operations under similar conditions or based on information provided by

the market, when available. The fair values are calculated by projecting the future flow of operating activities based on the projected interest rate curve, adjusted to present value using the data that indicates prices and benchmark rates available in the market or a rate based on the premium payment conditions upon the accelerated optional redemption set forth in the debenture deed. The estimated fair values are as follows:

	Individual (BR GAAP)				Consolidated (IFRS and BR GAAP)			
	Carrying amount		Fair value		Carrying amount		Fair value	
	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11
Other financial liabilities:								
Loans, financing and debentures	1,822,574	1,633,841	1,812,511	1,634,257	2,055,091	2,074,425	2,045,028	2,074,841

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

(d) Derivatives

As of December 31, 2012, the Company was part of two swap transactions (plain vanilla) only for purposes of protection against the respective foreign currency-denominated loans; both transactions were entered into with large size financial institutions.

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

						Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)		
						12/31/12		
				Rates		Notional amount		(Payables)/ receivables
Swap transaction	Contracting	Maturity	Counterparty	Asset	Liability	R$ thousand	U$ thousand	R$ thousand
US dollar x Brazilian Reais	06/29/10 to 11/16/11	05/25/16 a 08/16/17	Brazilian Banks	US dollar fluctuation + coupon of 1.60%p.a. to 6.44% p.a. + 3-month LIBOR	102.5% to 114.7% of the CDI fluctuation	293,000	170,506	32,394

Payables/receivables amounts are presented together with the balances of the related foreign currency loans; see Note 12.

CDI X Fixed Rate

Fleet rental contracts vary from 24 to 36 months and include an annual adjustment clause based on the inflation rate. As the rental contracts cannot be adjusted based on the basic interest rate variation, Total Fleet contracted swap operations exchanging the CDI variation for a fixed rate in order to protect itself from the risk of losing profitability on rental contracts and maintain its competitiveness.

						Individual (BR GAAP) and Consolidated (IFRS and BR GAAP)	
						12/31/12	
				Rates		Notional amount	(Payables)/ receivables
Swap transaction	Contracting	Maturity	Counterparty	Asset	Liability	R$ thousand	R$ thousand
CDI x Fixed rate	06/15/12 to 11/05/12	03/28/13 to 1/15/14	Brazilian Banks	8.02% p.a. to 9.6% p.a.	109.7% to 113.8% of the CDI fluctuation	370,870	(3,482)

23. FINANCE LEASES

As of December 31, 2012, the Company had finance leases as follows:

(i) Aircraft

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

(ii) Cars

The subsidiary Total Fleet owns 3,660 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 14.5% per year. The agreements were entered into in 2011 and 2012 with a 24-month term counted from the delivery of the asset, and the option to purchase the asset at the end of the lease term, adjusted by CDI plus a spread from 1.70% p.a. to 1.89% p.a., and in the case of fixed rate, by a rate from 9.33% p.a. to 9.76% p.a. The guaranteed residual amount will be paid after the end of the lease term.

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Property and equipment and intangible assets:				
Cars	-	-	110,632	4,165
Aircraft	4,518	5,114	4,518	5,114
Software	638	-	638	-
Hardware	2,307	-	2,307	-
Total	**7,463**	**5,114**	**118,095**	**9,279**

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

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	12/31/12	12/31/11	12/31/12	12/31/11
Minimum payments:				
Future amounts	4,939	3,515	125,553	8,434
Unearned interest	(1,089)	(340)	(18,845)	(958)
Present value	**3,850**	**3,175**	**106,708**	**7,476**

As of December 31, 2012, the maturity of the minimum future payments of finance leases and their respective present values were as follows:

	Individual (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Future payments	Present value	Future payments	Present value
Period after balance sheet date:				
Up to 12 months	2,955	2,679	77,818	68,568
Between 13 and 24 months	1,984	1,171	47,735	38,140
Total	**4,939**	**3,850**	**125,553**	**106,708**

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

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

24. RENTAL OBLIGATIONS

(a) Real estate rental

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

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

In the year ended December 31, 2012, real estate rental expenses totaled R$94,698 (R$73,794 as of December 31, 2011).

The minimum amounts payable for the remainder of the lease terms through December 31, 2012 are as follows:

Years	Concessions in airports	Downtown branches, stores and parking lots	Total
2013	18,702	65,657	84,359
2014	14,708	53,399	68,107
2015	11,810	46,259	58,069
2016	5,544	34,760	40,304
2017 and onwards	6,655	112,995	119,650
Total	**57,419**	**313,070**	**370,489**

(b) Minimum guaranteed revenue from fleet rental

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

Years	Revenues
2013	438,310
2014	219,201
2015	60,416
2016	1,669
Total	**719,596**

25. PENSION PLAN

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

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

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

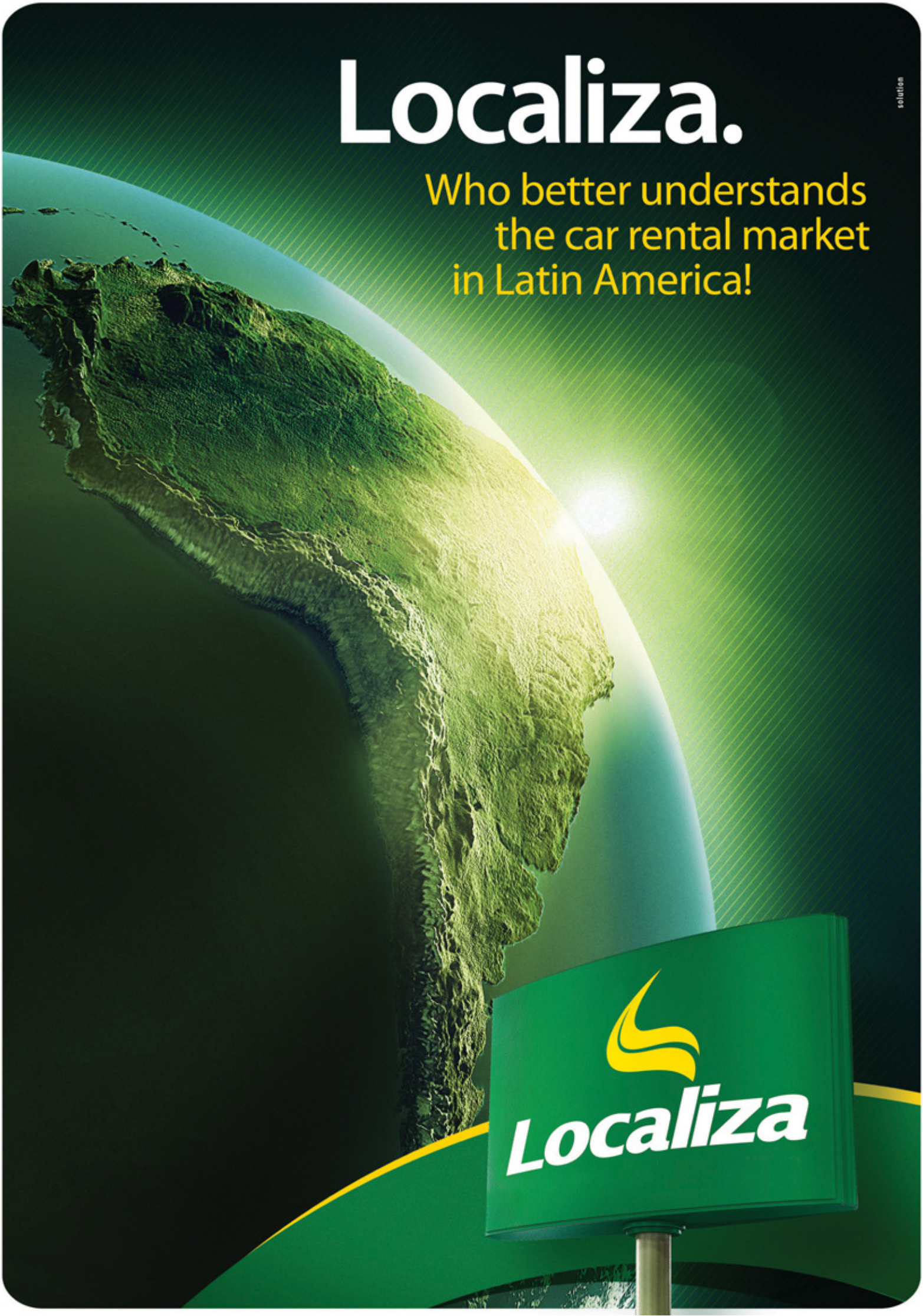
The adhesion is optional for an Eligible Officer who accepts the conditions established, especially staying with the Company until retirement and not competing for five years counted from separation. That is: during a period of five years the Eligible Officers undertake not to compete, directly or indirectly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

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

Up to December 31, 2012, contributions made by the Company totaled R$3,615 in the Company and R$5,213 in the consolidated, which were allocated to "Cost", "Selling expenses" and "General, administrative and other 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 14, 2013.


Localiza.
Who better understands
the car rental market
in Latin America!
Localiza