OFFERING MEMORANDUM

$450,000,000

Arcos Dorados B.V.

7.50% SENIOR NOTES DUE 2019

Interest payable on April 1 and October 1

Arcos Dorados B.V. is offering U.S.$450 million aggregate principal amount of senior notes due 2019 bearing interest of 7.50% per year. The notes will mature on October 1, 2019. Interest will accrue from October 1, 2009 and will be payable on April 1 and October 1 of each year beginning on April 1, 2010.

We may redeem any of the notes, in whole or in part, at any time on or after October 1, 2014 at the applicable redemption prices set forth in this offering memorandum, plus accrued interest. Before October 1, 2014, we may also redeem the notes, in whole but not in part, at a redemption price based on a "make-whole" premium. In addition, before October 1, 2012, we may redeem up to 35% of the notes at a redemption price equal to 107.50% of their principal amount, plus accrued interest, using the proceeds of certain equity offerings. We may also redeem the notes in whole, but not in part, at a price equal to 100% of their principal amount plus accrued and unpaid interest to the redemption date at any time upon the occurrence of specified events regarding the Netherlands and other relevant jurisdictions' tax laws, as set forth in this offering memorandum.

The notes will be fully and unconditionally guaranteed on a senior unsecured basis by certain of our current and future restricted subsidiaries. We refer to these subsidiaries as the "guarantors."

The notes and the related guarantees (i) will rank equally with all of the existing and future unsecured and unsubordinated indebtedness of Arcos Dorados B.V. and the guarantors and (ii) will be effectively junior to all existing and future secured indebtedness of Arcos Dorados B.V. and the guarantors to the extent of the assets securing that indebtedness.

For a more detailed description of the notes, see "Description of Notes" beginning on page 113.

Arcos Dorados B.V. has applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market. See "Listing and General Information" beginning on page 173. This offering memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14.

PRICE: 99.136% AND ACCRUED INTEREST, IF ANY FROM OCTOBER 1, 2009

The notes and the related guarantees have not been registered under the U.S. Securities Act of 1933, as amended, or under any state securities laws and are being offered only: (1) to qualified institutional buyers under Rule 144A and (2) outside the United States in compliance with Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the notes may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer, see "Transfer Restrictions" beginning on page 171.

The initial purchasers delivered the notes to purchasers in book-entry form through The Depository Trust Company ("DTC"), on October 1, 2009.

Joint Book-Running Managers

Morgan Stanley ***BofA Merrill Lynch***

Citi

Itaú

Santander

Scotia Capital

November 10, 2009

This map shows the number of our restaurants in each of the territories in which we operate as of June 30, 2009.

Source: Arcos Dorados.

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You should only rely on the information contained in this offering memorandum. We have not authorized anyone to provide you with different information. Neither we nor the initial purchasers are making an offer of the notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate at any date other than the date on the front cover of this offering memorandum.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "Arcos Dorados" or the "Company," "we," "our," "ours," "us" or similar terms refer to Arcos Dorados B.V., together with its subsidiaries.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum. Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Citigroup Global Markets Inc., Banco Itaú Europa, S.A. – London Branch, Santander Investment Securities Inc. and Scotia Capital (USA) Inc. will act as initial purchasers with respect to the offering of the notes. This offering memorandum does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes. Distribution of this offering memorandum by you to any person other than those persons retained to advise you is unauthorized, and any disclosure of any of the contents of this offering memorandum without our prior written consent is prohibited.

The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain

any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers nor their agents have any responsibility therefor. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

This offering memorandum may only be used for the purpose for which it has been published. The initial purchasers are not making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The initial purchasers have not independently verified any of such information and assume no responsibility for the accuracy or completeness of the information contained in this offering memorandum.

See "Risk Factors," following the "Summary," for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT, OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

The notes will be available initially only in book-entry form. We expect that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with, or on behalf of, the Depository Trust Company ("DTC") and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. The global notes offered under Regulation S under the United States Securities Act of 1933 (the "Securities Act"), if any, to be deposited with the trustee as custodian for DTC, and beneficial interests in them may be held through the Euroclear Bank, S.A./N.V., as operator of the Euroclear System or Clearstream Banking, *société anonyme*. After the initial issuance of the global notes, certificated notes may be issued in registered form only in very limited circumstances, which shall be in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000. See "Book-entry; Delivery and Form" for further discussion of these matters.

MARKET DATA

Market data and certain industry forecast data used in this offering memorandum were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information (including information available from the United States Securities and Exchange Commission website) and industry publications, including Euromonitor, Millward Brown Optimor, the International Monetary Fund's World Economic Outlook database and the CIA World Factbook. Industry publications generally state that the information they include has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal reports and studies, estimates and market research, which we believe to be reliable and accurately extracted by us for use in this offering memorandum, have not been independently verified. However, we believe such data is accurate and agree that we are responsible for the accurate extraction of such information from such sources and its correct reproduction in this offering memorandum.

ENFORCEABILITY OF CIVIL LIABILITIES

A majority of our directors and officers, as well as certain of the experts named herein, reside outside of the United States. A substantial portion of our assets and several of such directors, officers and experts are located principally in Argentina, Brazil and Mexico. As a result, it may not be possible for investors to effect service of process outside Argentina, Brazil and Mexico upon such directors or officers, or to enforce against us or such parties in courts outside Argentina, Brazil and Mexico judgments predicated solely upon the civil liability provisions of the federal securities laws of the United States or other non-Argentine, Brazilian or Mexican regulations, as applicable. In addition, local counsel to the Company have advised that there is doubt as to whether the courts of Brazil, Mexico or Argentina would enforce in all respects, to the same extent and in as timely a manner as a U.S. court or non-Argentine, Brazilian or Mexican court, an original action predicated solely upon the civil liability provisions of the U.S. federal securities laws or other non-Argentine, Brazilian or Mexican regulations, as applicable; and that the enforceability in Argentine, Brazilian or Mexican courts of judgments of U.S. courts or non-Argentine, Brazilian or Mexican courts predicated upon the civil liability provisions of the U.S. federal securities laws or other non-Argentine, Brazilian or Mexican regulations, as applicable, will be subject to compliance with certain requirements under Argentine, Brazilian or Mexican law, including the condition that any such judgment does not violate Argentine, Brazilian or Mexican public policy.

General

We have appointed National Registered Agents, Inc. as agent to receive service of process under the indenture governing the notes, including with respect to any action brought against us in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any State of the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

ADDITIONAL INFORMATION

While any notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of notes the information required pursuant to Rule 144(A)(d)(4)(i) under the Securities Act, during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market. See "Listing and General Information." We will comply with any undertakings assumed or undertaken by us from time to time to the Luxembourg Stock Exchange in connection with the notes, and we will furnish to them all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "U.S. dollars," "dollars" or "U.S.$" are to the U.S. dollar. All references to "Argentine *pesos*" or "ARS$" are to the Argentine *peso*. All references to "Brazilian *reais*" or "R$" are to the Brazilian *real*. All references to "Mexican *pesos*" or "Ps." are to the Mexican *peso*. All references to "Venezuelan *bolívares fuertes*" or "Bs.F" are to the Venezuelan *bolívar fuerte*. See "Exchange Rates" for information regarding exchange rates for the Argentine, Brazilian, Mexican and Venezuelan currencies since January 1, 2004.

Financial Statements

We maintain our books and records in U.S. dollars and prepare our financial statements in accordance with accounting principles and standards generally applicable in the United States, or U.S. GAAP.

The financial information contained in this offering memorandum includes our consolidated financial statements at and for the years ended December 31, 2007 and 2008, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global ("E&Y"), as stated in their report included elsewhere in this offering memorandum. Our unaudited consolidated financial statements at and for the six months ended June 30, 2008 and 2009, included elsewhere in this offering memorandum, have been the subject to limited review procedures by Pistrelli, Henry Martin y Asociados S.R.L.

Our financial information for the year ended December 31, 2007 only includes five months of operations commencing on August 3, 2007, the date of our acquisition of McDonald's operations in certain Latin American and Caribbean countries and territories, when we commenced operations. We did not publish financial statements prior to such acquisition.

Our fiscal year ends December 31. References in this offering memorandum to a fiscal year, such as "fiscal year 2008," relate to our fiscal year ended on December 31 of that calendar year.

As discussed in Note 3 to our consolidated financial statements, there are currency restrictions in place in Venezuela that limit our ability to physically convert local currency to U.S. dollars. Due to currency controls, there is no free-market currency exchange rate. Therefore, in preparing our consolidated financial statements, we use the exchange rate established by the Venezuelan government to translate the local currency financial statements into our reporting currency. If the Venezuelan local currency resumes trading in an open market, we believe the exchange rate may be significantly greater than the rate set by the government. A significant devaluation of the local currency would result in a decline in our revenues and, to a lesser extent, our operating income when reported in U.S. dollars.

Operating Data

We operate McDonald's-branded restaurants under two different operating formats, those directly operated by us ("Company-operated restaurants") and those operated by franchisees ("franchised restaurants"). As of June 30, 2009, we owned and operated or franchised 1,660 restaurants, of which we owned and operated 1,203 (or 72%) and our franchisees operated 457 (or 28%). Systemwide data represents measures for both Company-operated and franchised restaurants.

We are the majority stakeholder in several joint ventures with third parties that collectively own 38 restaurants. We consider these restaurants to be Company-operated restaurants. We also have granted developmental licenses to 13 restaurants. Developmental licensees own or lease the land and buildings on which their restaurants are located and pay a franchise fee to us in addition to the continuing franchise fee due to McDonald's. We consider these restaurants to be franchised restaurants.

Rounding

We have made rounding adjustments to some of the figures included in this offering memorandum. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Basis of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES

The body of generally accepted accounting principles is commonly referred to as "GAAP." For this purpose, a non-GAAP financial measure is generally defined by the United States Securities and Exchange Commission, or SEC, as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. We disclose in this offering memorandum so-called non-GAAP financial measures, primarily Adjusted EBITDA. Adjusted EBITDA is defined as our operating income plus depreciation and amortization minus/plus other operating income or expenses classified as non-cash or non-recurring for management reporting purposes. The non-GAAP financial measures described in this offering memorandum are not a substitute for the GAAP measures of earnings, for which management has responsibility.

Our management believes that disclosure of Adjusted EBITDA can provide useful information to investors, financial analysts and the public in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries. This is because Adjusted EBITDA is perceived as a more objective and comparable measure of operating performance and liquidity. For example, interest expense is dependent on the capital structure and credit rating of a company. However, debt levels, credit ratings and, therefore, the impact of interest expense on earnings vary significantly between companies. Similarly, the tax positions of individual companies can vary because of their differing abilities to take advantage of tax benefits and the differing jurisdictions in which they transact business, with the result that their effective tax rates and tax expense can vary considerably. Finally, companies differ in the manner in which they acquire productive assets and the choice and age of such assets selected, and thus the relative costs of those assets, as well as in the depreciation method (straight-line, accelerated, units of production) applied, which can result in considerable variability in depreciation and amortization expense between companies. Thus, for comparison purposes, our management believes that Adjusted EBITDA is useful as an objective and comparable measure of operating profitability because it excludes these elements of earnings that do not provide information about the current operations of existing assets. Accordingly, our management believes that disclosure of Adjusted EBITDA provides useful information to investors, financial analysts and the public in their evaluation of companies' operating performance.

EXCHANGE RATES

For the six month period ended June 30, 2009, 83.4% of our total revenues were derived from our restaurants in Argentina, Brazil, Mexico, Puerto Rico and Venezuela. While we maintain our books and records in U.S. dollars, our sales are conducted in the local currency of the territories in which we operate, and as such may be affected by changes in the local exchange rate to the U.S. dollar.

Argentina

On January 6, 2002, the Argentine federal congress ended ten years of U.S. dollar-Argentine *peso* parity, eliminating the requirement that the Central Bank of Argentina maintain a certain level of reserves and granting the executive branch the power to set the exchange rate between the Argentine *peso* and foreign currencies and to issue regulations related to the foreign exchange market. As of January 11, 2002, the Argentine *peso*/U.S. dollar exchange rate floated freely.

Heightened demand for limited U.S. dollars caused the Argentine *peso* to trade well above the rate of one Argentine *peso* per one U.S. dollar that had been previously established. Since the economic crisis in Argentina that began in December 2001, the Argentine *peso*/U.S. dollar exchange rate has fluctuated considerably. In 2002, an executive order was enacted that established a single free foreign exchange market that required all foreign exchange transactions to be carried out at the rate agreed between parties in accordance with the requirements of the Central Bank of Argentina.

For the last few years, the Argentine government has maintained a policy of limited-intervention in the foreign exchange markets, conducting periodic transactions for the purchase or sale of U.S. dollars. We cannot assure you that the Argentine government will maintain its current policies with regard to the Argentine *peso* or that the Argentine *peso* will not further depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in Argentine *pesos* per U.S. dollar. The average rate is calculated by using the average of Argentina's Central Bank reported exchange rates on each day during a monthly period and on the last day of each month during an annual period. As of November 9, 2009 the exchange rate for the purchase of U.S. dollars as reported by Argentina's Central Bank was ARS$3.817 per U.S. dollar.

	Period-End	**Average for Period**	**Low**	**High**
	(Argentine pesos per U.S. dollar)			
Year Ended December 31:	ARS$	ARS$	ARS$	ARS$
2004	2.979	2.942	2.803	3.060
2005	3.032	2.923	2.859	3.040
2006	3.062	3.075	3.030	3.107
2007	3.149	3.116	3.058	3.180
2008	3.453	3.163	3.014	3.468
Month Ended:				
March 2009	3.720	3.655	3.601	3.720
April 2009	3.714	3.692	3.674	3.721
May 2009	3.749	3.726	3.695	3.749
June 2009	3.797	3.769	3.743	3.798
July 2009	3.830	3.809	3.799	3.830
August 2009	3.853	3.839	3.822	3.853
September 2009	3.842	3.829	3.819	3.845
October 2009	3.819	3.826	3.819	3.845
November 2009 (through November 9)	3.817	3.818	3.817	3.819

Exchange Controls

Prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. From December 1989 until April 1991, Argentina had a freely floating exchange rate for all foreign currency transactions, and the transfer of dividend payments in foreign currency abroad and the repatriation of capital were permitted without prior approval of the Central Bank of Argentina. From April 1, 1991, when the Convertibility Law became effective, until December 21, 2001, when the Central Bank of Argentina decided to close the foreign exchange market, the Argentine currency was freely convertible into U.S. dollars.

On December 3, 2001, the Argentine government imposed a number of monetary and currency exchange control measures through Decree 1570/01, which included restrictions on the free disposition of funds deposited with banks and tight restrictions on transferring funds abroad without the Central Bank of Argentina's prior authorization subject to specific exceptions for transfers related to foreign trade. Beginning in January 2003, the Central Bank of Argentina has gradually eased these restrictions and expanded the list of transfers of funds abroad that do not require its prior authorization. However, in June 2003 the Argentine government instituted restrictions on capital flows into Argentina, which mainly consisted of a prohibition against the transfer abroad of any funds until 180 days after their entry into the country.

In June 2005, the Argentine government issued Decree 616/05, which established additional restrictions over all capital flows that could result in the decreased availability of international credit. Pursuant to the decree, all private sector indebtedness of physical persons or corporations in Argentina are required to be agreed upon and repaid not prior to 365 days from the date of entry of the funds into Argentina, regardless of the form of repayment. The decree outlines several types of transactions that are exempt from its requirements, including foreign trade financings, foreign trade balances of those entities authorized to carry out foreign exchange, and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market.

In addition, the decree stipulates that all capital inflows within the private sector to the local exchange market of physical persons or corporations within Argentina, as well as all capital inflows of non-residents received by the local exchange market destined for local money holdings, acquisition of active or passive private sector financings (financial or non-financial), excluding foreign direct investment and primary offerings of debt securities issued pursuant to a public offering and listed on a self-regulated market and investments in securities issued by the public sector that are acquired in secondary markets, must meet certain requirements, including those outlined below:

- such funds may be transferred only outside the local exchange market after a 365-day period from the date of entry of the funds into Argentina;
- any amounts resulting from the exchange of such funds are to be credited to an account within the Argentine banking system;
- a non-transferable, non-interest-bearing deposit must be maintained for a term of 365 calendar days, in an amount equal to 30% of any inflow of funds to the local foreign exchange market arising from certain enumerated transactions; and
- such deposit shall be in U.S. dollars in any of the financial entities of Argentina and may not be used as collateral or guaranty for any credit transaction. Any breach to the provisions of Decree 616/05 is subject to criminal penalties of the Exchange Regime.

In addition, on November 16, 2005, the Ministry of Economy and Production issued Resolution 637/05, pursuant to which Decree 616/05 was regulated, providing that any inflow of funds to the local exchange market in connection with an initial public offering of securities, bonds or certificates issued by a trustee under a trust, whether or not such trust is publicly offered and listed in a self-regulated market, shall comply with all requirements provided for section 4 of Decree 616/05 whenever such requirements are applicable to the inflow of funds to the local exchange market in connection with the acquisition of any of the assets under the trust.

Brazil

On March 4, 2005, the Central Bank of Brazil issued Resolution No. 3,265, providing for several changes in Brazilian foreign exchange regulation, including: (1) the unification of the foreign exchange markets into a single

exchange market; (2) the easing of several rules for acquisition of foreign currency by Brazilian residents; and (3) the extension of the term for converting foreign currency derived from Brazilian exports. The Central Bank of Brazil may issue further regulations in relation to foreign exchange transactions, as well as on payments and transfers of Brazilian currency between Brazilian residents and non-residents (such transfers being commonly known as the international transfer of reais), including those made through the so-called non-resident accounts.

From 2001 until early 2003, the value of the Brazilian real declined against the U.S. dollar, primarily due to financial and political instability in Brazil and Argentina. According to the Central Bank of Brazil, in 2004, 2005, 2006 and 2007, however, the Brazilian real appreciated in relation to the U.S. dollar 8.8%, 13.4%, 9.5% and 20.5%, respectively. In 2008, the Brazilian real depreciated 31.9% in relation to the U.S. dollar, and in the first six months of 2009 the Brazilian real appreciated 16.5% in relation to the U.S. dollar.

Although the Central Bank of Brazil has intervened occasionally to control movements in the foreign exchange rates, the exchange market may continue to be volatile as a result of capital movements or other factors, and, therefore, the Brazilian real may substantially decline or appreciate in value in relation to the U.S. dollar in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in Brazilian reais per U.S. dollar as reported by the Central Bank of Brazil. As of November 9, 2009 the exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Brazil was R$1.702 per U.S. dollar.

	Period-End	Average for Period	Low	High
	(Brazilian reais per U.S. dollar)			
	R$	R$	R$	R$
Year Ended December 31:				
2004	2.654	2.930	2.654	3.205
2005	2.341	2.463	2.163	2.762
2006	2.138	2.215	2.059	2.371
2007	1.771	1.944	1.733	2.156
2008	2.337	2.030	1.559	2.500
Month Ended:				
March 2009	2.315	2.330	2.238	2.422
April 2009	2.178	2.330	2.170	2.290
May 2009	1.973	2.060	1.973	2.148
June 2009	1.952	1.969	1.930	2.007
July 2009	1.873	2.944	1.873	2.015
August 2009	1.886	1.845	1.818	1.886
September 2009	1.778	1.820	1.778	1.904
October 2009	1.744	1.738	1.704	1.784
November 2009 (through November 9)	1.702	1.726	1.702	1.759

Mexico

For the last few years, the Mexican government has maintained a policy of non-intervention in the foreign exchange markets, other than conducting periodic auctions for the purchase of U.S. dollars, and has not had in effect any exchange controls (although such controls have existed and have been in effect in the past). We cannot assure you that the Mexican government will maintain its current policies with regard to the Mexican *peso* or that the Mexican *peso* will not further depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period end free-market exchange rate for the purchase of U.S. dollars, expressed in nominal Mexican *pesos* per U.S. dollar, as reported by the Central Bank of Mexico in the Federal Official Gazette. All amounts are stated in Mexican *pesos* per U.S. dollar. The annual average rates reflect the average of month-end rates, and monthly average rates reflect the average of daily rates. As of November 9, 2009 the free-market exchange rate for the purchase of U.S. dollars as reported by the Central Bank of Mexico in the Federal Official Gazette as the rate of payment of obligations denominated in non-Mexican currency payable in Mexico was Ps. 13.30 per U.S. dollar.

	Period-End	Average for Period	Low	High
		(Mexican pesos per U.S. dollar)		
	Ps.	Ps.	Ps.	Ps.
Year Ended December 31:				
2004	11.26	11.31	10.82	11.63
2005	10.71	10.93	10.41	11.40
2006	10.88	10.92	10.43	11.48
2007	10.90	10.94	10.66	11.27
2008	13.77	11.14	9.92	13.92
Month Ended:				
March 2009	14.39	14.72	14.05	15.37
April 2009	13.65	13.47	13.05	14.39
May 2009	13.23	13.25	12.87	13.84
June 2009	13.18	13.34	13.16	13.65
July 2009	13.26	13.37	13.10	13.81
August 2009	13.25	13.01	12.82	13.25
September 2009	13.50	13.41	13.23	13.64
October 2009	13.15	13.23	12.92	13.68
November 2009 (through November 9)	13.30	13.32	13.27	13.38

Venezuela

Venezuela suspended foreign exchange trading on January 23, 2003 in response to a significant decrease in the amount of foreign currency generated from the sale of oil and an increase in the demand for foreign currency, which produced a decline in Venezuela's reserves of international currencies. On February 5, 2003, the Venezuelan government adopted a series of exchange agreements, decrees and regulations establishing a new exchange control regime. The Comisión de Administración de Divisas ("CADIVI") administers, manages and controls the new exchange control regime. Purchases and sales of foreign currencies are centralized in the Central Bank of Venezuela. The Ministry of Finance and the Central Bank of Venezuela are responsible for setting the exchange rate with respect to the U.S. dollar and other currencies.

On February 5, 2003, the Ministry of Finance and the Central Bank of Venezuela fixed the U.S. dollar exchange rate at Bs.1,596.00 per purchased U.S. dollar and Bs.1,600.00 per sold U.S. dollar. The exchange rate for the payment of public foreign debt was established at Bs.1,600.00 per U.S. dollar.

On February 9, 2004, the Ministry of Finance and the Central Bank of Venezuela changed the U.S. dollar exchange rate to Bs.1,915.20 per purchased U.S. dollar and Bs.1,920.00 per sold U.S. dollar. The exchange rate for the payment of external public debt was set at Bs.1,920.00 per U.S. dollar.

On March 3, 2005, the Ministry of Finance and the Central Bank of Venezuela further modified the U.S. dollar exchange rate to Bs.2,144.60 per purchased U.S. dollar and Bs.2,150.00 per sold U.S. dollar. The exchange rate for the payment of external public debt was also set at Bs.2,150.00 per U.S. dollar.

Effective January 1, 2008, the currency of Venezuela has been converted to the *bolívar fuerte*, which represents one thousand *bolívares*. Accordingly, from that date the U.S. dollar exchange rate has been set at Bs.F 2.1446 per purchased U.S. dollar and Bs.F 2.1500 per sold U.S. dollar.

The exchange control regime provides that all foreign currency generated through public or private sector operations must be sold to the Central Bank of Venezuela at the established exchange rate. In addition, all foreign currency that enters the country must be registered through banks and financial institutions authorized by CADIVI. The acquisition of foreign currency by private sector entities must be approved by CADIVI, which first requires that the entity prove, among other things, that its social security contributions and tax payments are up to date. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Foreign Currency Translation" for more information.

As discussed in Note 3 to our consolidated financial statements, there are currency restrictions in place in Venezuela that limit our ability to physically convert local currency to U.S. dollars. Due to currency controls, there is no free-market currency exchange rate. Therefore, in preparing our consolidated financial statements, we use the exchange rate established by the Venezuelan government to translate the local currency financial statements into our reporting currency. If the Venezuelan local currency resumes trading in an open market, we believe the exchange rate may be significantly greater than the rate set by the government. A significant devaluation of the local currency would result in a decline in our revenues and, to a lesser extent, our operating income when reported in U.S. dollars.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. This summary may not contain all the information that may be important to you, and we urge you to read this entire offering memorandum carefully, including the "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections and our consolidated financial statements and notes to those statements, included elsewhere in this offering memorandum, before deciding to invest in the notes.

Our Business

Overview

We are the world's largest McDonald's franchisee in terms of systemwide sales and number of restaurants, as of June 30, 2009, operating the largest quick service restaurant ("QSR") chain in Latin America and the Caribbean. As of June 30, 2009, we operated or franchised 1,660 McDonald's-branded restaurants, which represented 5.2% of McDonald's total restaurants and 6.4% of McDonald's total franchised restaurants. In 2008 we paid U.S.$119.0 million in royalties to McDonald's. We have the exclusive right to own, operate and grant franchises of McDonald's restaurants in 19 countries and territories in Latin America and the Caribbean, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guyana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, St. Croix, St. Thomas, Uruguay and Venezuela (collectively, the "Territories").

We received exclusive master franchising rights from McDonald's for the Territories in August 2007 when we acquired the operations of McDonald's in the Territories (the "Acquisition"). We continue to share branding with McDonald's, and utilize McDonald's core menu items, including the Big Mac, Happy Meal and Quarter Pounder. We also use many of McDonald's operating procedures, while adapting them when we perceive an opportunity to do so, for example by introducing locally relevant menu items. Since the Acquisition, we have experienced rapid growth, and have focused on our key success factors of branded affordability, menu variety, convenience and restaurant reinvestment.

We operate McDonald's-branded restaurants under two different operating formats, those directly owned and operated by us ("Company-operated restaurants") and those operated by franchisees ("franchised restaurants"). As of June 30, 2009, of our 1,660 McDonald's-branded restaurants in the Territories, 1,203 (or 72%) were Company-operated restaurants and 457 (or 28%) were franchised restaurants. We generate revenues primarily from two sources: sales by Company-operated restaurants and revenues from franchised restaurants that primarily consist of rental income that generally is based on the greater of a flat fee or a percentage of sales reported by franchised restaurants. Our net income for the year ended December 31, 2008 was U.S.$114.1 million, a 124.4% increase over 2007 (on a pro forma basis), and our Adjusted EBITDA for the year ended December 31, 2008 was U.S.$288.1 million, a 77.0% increase over 2007 (on a pro forma basis).

Our business has grown dramatically in recent years. For example, our consolidated net revenues increased 27.7% from 2007 (on a pro forma basis) to U.S.$2,606.8 million in 2008. We have increased our footprint by opening 88 Company-operated restaurants and 41 franchised restaurants in existing and new markets within the Territories in the period from the Acquisition through June 30, 2009. We have grown organically by increasing comparable store sales in the Territories by 20.7% in the year ended December 31, 2008 as compared to 2007 (on a pro forma basis).

Our operations are divided into four geographical divisions: Brazil; the Caribbean division, consisting of Aruba, Curaçao, French Guyana, Guadeloupe, Martinique, Puerto Rico, St. Crois and St. Thomas; the North Latin America division ("NOLAD"), consisting of Costa Rica, Mexico and Panama; and the South Latin America division ("SLAD"), consisting of Argentina, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela. We remain close to consumers by managing operations at the local level, including implementing recruiting centers, conducting marketing campaigns and promotions, monitoring consumer satisfaction and menu management, and we leverage our size by conducting administrative and strategic functions at either the divisional level or our headquarters, as appropriate. As of June 30, 2009, 34% of our restaurants were located in Brazil, 30% in SLAD, 27% in NOLAD and 9% in the Caribbean division.

Our History and Relationship with McDonald's

McDonald's has a longstanding presence in Latin America and the Caribbean dating to the opening of its first restaurant in Puerto Rico in 1967. Since then, McDonald's expanded its footprint across the region as consumer markets and opportunities arose, opening its first stores in Brazil in 1979, in Mexico and Venezuela in 1985 and in Argentina in 1986. McDonald's longstanding presence in the most relevant Latin American markets was one of the bases of its success, and allowed it to consolidate its brand recognition throughout the region.

We were incorporated on May 27, 1999 and commenced operations on August 3, 2007, as a result of our purchase of McDonald's operations in the Territories ("McDonald's LatAm business"). Woods Staton, our Chairman, Chief Executive Officer ("CEO") and controlling shareholder, was McDonald's joint venture partner in Argentina for over 20 years prior to the Acquisition and also served as President of McDonald's South Latin America division from 2004 until the Acquisition. Our senior management is largely a team that had previously worked in McDonald's LatAm business or with Mr. Staton. In addition to Mr. Staton, our ownership group includes Gávea Investimentos, Capital International Private Equity Funds and DLJ South American Partners; combined, these four shareholders control all of our voting interests and over 99% of our economic interests.

We hold our McDonald's franchise rights pursuant to a Master Franchise Agreement for all of the Territories except Brazil (the "MFA") and a separate, but substantially identical, Master Franchise Agreement for Brazil (the "Brazilian MFA" and, collectively, the "MFAs"). The MFAs set forth such terms as the initial 20-year terms of the franchises (the franchises for French Guyana, Guadeloupe and Martinique are for 10-year terms, which we have the option to extend by 10 years), our right to operate and franchise McDonald's-branded restaurants and the franchise fees payable by us to McDonald's.

While we have continued using McDonald's suppliers and practices, we have been able to adapt McDonald's worldwide practices to enhance store by store yields and results. Since the Acquisition, we have undertaken an extensive restaurant reimaging program throughout the Territories, expanded the number of McCafé and Dessert Center locations and focused on adding locally relevant menu items and increasing breakfast options. We have also centralized many of our operations, including our supply chain and distribution functions.

Our Industry

We operate in the fast food sub-segment of the QSR segment. In Latin America and the Caribbean, the QSR segment has benefited from the region's increasing modernization, as people in more densely populated areas adopt lifestyles that increasingly seek convenience, speed and value. According to Euromonitor, QSR segment sales in Latin America and the Caribbean will be approximately U.S.$41.3 billion in 2009. Euromonitor estimates that the fast food restaurant sub-segment in Latin America and the Caribbean grew at a rate of 94.3% in the period from 2004 to 2008, which is approximately 2.1% higher than the growth of the Latin American and Caribbean QSR segment as a whole.

Our financial condition and operational results are influenced by macroeconomic developments in Latin America and the Caribbean. Macroeconomic conditions in these regions have shown improvement in recent years often outperforming developed markets in many of the countries in which we operate, including significant growth in GDP, declining unemployment, stabilizing inflation and currency exchange rates, increase of foreign investment, expanding purchasing power and higher levels of disposable income.

The table below sets forth real GDP growth, real GDP per capita growth, inflation, unemployment, country risk premium, U.S. dollar exchange rate and sovereign ratings for the periods and Latin American and Caribbean countries or territories indicated.

The table below sets forth real GDP growth, real GDP per capita growth, inflation, unemployment, country risk premium, U.S. dollar exchange rate and sovereign ratings for the periods and Latin American and Caribbean countries or territories indicated.

	Argentina	Brazil	Mexico	Puerto Rico	Venezuela
Real GDP growth (Year-over-year)					
2006	8.5%	4.0%	5.1%	(0.1)%	10.3%
2007	8.7	5.7	3.3	(1.4)	8.4
2008	6.8	5.1	1.3	(1.4)	4.8
1Q09	2.0	(1.8)	(8.0)	–	0.5
GDP per capita growth (Year-over-year)					
2006	7.5%	2.5%	3.9%	(0.6)%	8.4%
2007	7.6	4.1	2.2	(1.8)	6.6
2008	6.0	3.5	0.2	(1.7)	3.7
Inflation					
2006	9.8%	3.1%	4.1%	8.3%	17.0%
2007	8.5	4.5	3.8	5.2	22.5
2008	7.2	5.9	6.5	6.4	30.9
1H09	2.7	2.6	1.3	–	10.8
Unemployment					
2006	8.7%	8.4%	3.5%	11.7%	8.4%
2007	7.5	7.5	3.4	10.4	6.2
2008	7.3	6.8	4.3	11.0	6.1
1H09	8.8	8.1	12.8	–	7.8
Country risk premium[1]					
2006	384.0	214.1	91.2	–	230.2
2007	404.9	131.0	66.1	–	354.4
2008	1,433.6	221.1	191.9	–	1,013.8
1H09	2,825.4	318.1	340.1	–	1,930.7
End of period U.S. dollar exchange rate					
2006	3.06	2.14	10.80	–	2.15
2007	3.15	1.78	10.90	–	2.15
2008	3.45	2.31	13.67	–	2.15
1H09	3.80	1.95	13.19	–	2.15
Sovereign rating[2]	**B3/B−/B−**	**Ba1/BBB−/BBB−**	**Baa1/BBB+/BBB+**	**–**	**B2/BB−/B+**

Sources: Argentina Central Bank, Brazil Central Bank, Brazilian Institute of Geography and Statistics ("IBGE"), Mexico Central Bank, Venezuela Central Bank, National Institute of Statistics and Census of Argentina ("INDEC"), National Institute of Statistics and Geography of Mexico ("INEGI"), National Statistics Institute of Spain ("INE"), Global Insight, Bloomberg

Notes

(1) Average for the period of the Credit Default Swap for each country's 10 year domestic sovereign bond.

(2) Sovereign credit rating for long-term debt in foreign currency.

Our Strengths

We believe the following are our competitive strengths:

- *Superior Brand with Worldwide Recognition.* According to Millward Brown Optimor, the McDonald's brand is one of the top ten most widely recognized consumer brands in the world and, according to Euromonitor, it is one of the most widely recognized consumer brands in Latin America and the Caribbean. We believe that in the Territories McDonald's has a reputation for providing high quality food in a comfortable setting at affordable prices.

- *Market Share Leader in the Region.* According to Euromonitor, in 2008 we had the leading market share in the region with 10% of the fast food sub-segment based on systemwide sales, almost three times the market share of our closest competitor. We believe that our continued focus on providing high quality food in a family-friendly environment, our product innovation focused on locally relevant initiatives, our successful marketing programs and our reimaging plans will enhance the already strong brand that we enjoy throughout the Territories.

- *Favorable Regional Demographics.* We believe that we are well-positioned to capture the expected growth in the QSR segment from our target demographic market. We view the target demographic for our products as young adults in the 15 to 35 age bracket and families with children, and believe that our products' appeal extends throughout the socioeconomic landscape. According to the United Nations Economic Commission for Latin America and the Caribbean, the Territories will represent a market of approximately 578.3 million people by 2010, of which approximately 29% are under 14 years old and 47% are under 25 years old. This is a significantly younger population than that observed in most developed countries. Furthermore, our target demographic group has in recent years benefited from improvements in macroeconomic conditions in the Territories.

- *Operational Excellence.* We utilize many of the operating procedures used by McDonald's prior to the Acquisition and have adapted these when necessary to better reflect operational requirements in Latin America and the Caribbean. We support our McDonald's-based training programs with an extensive set of quality controls throughout production, processing, and distribution and in our restaurants, including monitoring restaurant managers' performance and using ongoing external customer satisfaction opportunity reports that analyze key operating indicators. In addition, we develop long-term relationships with reliable suppliers who comply with our rigorous quality standards. Such procedures allow us to consistently provide our customers with a high-quality experience in both Company-operated and franchised restaurants across the Territories.

- *We are an Important Part of McDonald's Global Network.* We believe we represent an important sales channel for McDonald's. As of June 30, 2009, our 1,660 restaurants represented 5.2% of McDonald's total restaurants and 6.4% of McDonald's total franchised restaurants, and in 2008 we paid U.S.$119.0 million in royalties to McDonald's. Our systemwide sales represented 5.0% of McDonald's total sales in 2008. We believe our success and the success of our franchisees are in McDonald's best interests, as we represent a capital efficient manner for them of capturing sales and royalties.

- *Geographical Diversification within Latin America and the Caribbean.* Our operations extend throughout Latin America and the Caribbean, including some of the regions' largest markets such as Brazil, Mexico, Argentina, Puerto Rico and Venezuela. This diversification reduces our dependence on any one market and reduces the impact on us from individual countries' economic cycles.

- *Significant Real Estate Portfolio.* We own the land for 508 of our restaurants and the buildings for all but 13 of our restaurants. This land was valued at U.S.$935.9 million as of August 31, 2009 by American Appraisal Argentina, S.A. We believe our property holdings provide a valuable asset base supporting our financial condition and cash generating capacities. In addition, restaurants located on owned real estate generally provide greater cash margins than those located on leased properties and provide us with greater operational flexibility.

- *Experienced Management Team and Stable Shareholder Base.* Our senior management team is led by Mr. Staton, our Chairman, CEO and controlling shareholder. Prior to the Acquisition, Mr. Staton was McDonald's joint venture partner in Argentina for over 20 years and was also president of McDonald's South Latin America division from 2004 until the Acquisition. Our senior management team is comprised of experienced restaurant industry executives almost all of whom have been with McDonald's or with

Mr. Staton for over 10 years. We believe that our stable shareholder base and the MFAs' requirement that Mr. Staton retain a significant ownership interest in our company reduces organizational volatility and allows us to consistently pursue our long-term strategic interests.

Our Strategy

We believe there are significant opportunities to enhance our profitability, grow our business and expand our leadership in the Latin American and Caribbean QSR market through the execution of the following strategies:

- *Focus Growth in Selected Countries.* We believe significant opportunities exist to increase our presence and market share in those countries in the region with the best growth prospects and those that are most economically and financially stable, such as Brazil, Colombia, Peru and Costa Rica. Our penetration rate in Latin America and the Caribbean, calculated as the ratio between the number of McDonald's restaurants and gross domestic product purchase power parity (GDP PPP) for each country, is considerably lower than in the United States. In addition, our penetration rates in Brazil, Colombia and Peru are all below the regional average. As countries in the region experience improving macroeconomic conditions, consumers benefit from expanding purchasing power and higher levels of disposable income, which serve to increase consumer demand for food convenience. Our expansion strategy intends to capitalize on the positive economic developments in such markets and the untapped demand to fuel our growth. In addition, increased diversification reduces reliance on any one market, and makes us less vulnerable to the instability and economic variability which may occur in a particular country or countries.

- *Expanded Product Offerings and Marketing.* We intend to continue to develop innovative and locally relevant product offerings, such as breakfast, health-conscious and value items, to increase restaurant traffic and expand our customer base. We intend to support these product offerings with our restaurant reimaging and brand extension plans and by leveraging the global marketing initiatives led by McDonald's, such as the World Cup and Olympic Games sponsorships, and participation in various movie promotions. We believe these branding events provide a cost-effective manner to increase our market recognition.

- *Restaurant Reimaging and Brand Extension.* We are undertaking an extensive restaurant reimaging and brand extension program throughout the Territories. Our reimaging efforts focus on remodeling existing restaurants to create an inviting, contemporary and highly aspirational environment. We seek to obtain an attractive return on investment and an estimated 10% increase in sales from our reimaging efforts. As of June 30, 2009, we have completed the reimaging of 210 of our 1,660 restaurants. Our brand extension efforts focus on the development of McCafés and Dessert Centers. We believe McCafés attract new customers, differentiate the McDonald's brand and increase traffic in existing restaurants, while Dessert Centers provide a low-cost method of adding value to our customers' experience and increasing our cash margins. In the six months ended June 30, 2009, we opened 22 McCafés and 89 Dessert Centers. We believe our restaurant reimaging and brand extension program leverages McDonald's brand relevance and competitive position to generate growth.

- *Realize Cost Savings Related to Operating Efficiencies.* We are focused on effectively streamlining our operations by taking advantage of cost reduction opportunities at the corporate and operating level, including through the expansion of our shared service center, which provides centralized administrative services such as payroll, accounts payable and accounts receivable. Our operation of distribution centers in Argentina, Chile, Mexico and Venezuela optimizes our supply chain by taking advantage of synergies and economies of scale. In addition, we intend to further develop and increase our use of local suppliers where appropriate to reduce importation and transportation costs as well as the volatility of our supply costs. We continue to leverage our operating scale by centralizing our marketing and strategic operations, including menu management, Happy Meal promotions and reimaging designs, without losing sight of the need to cater to local preferences.

General Information

Our principal address is Naritaweg 165, 1043 BW Amsterdam, the Netherlands.

The Offering

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing in the notes, including "Risk Factors" and our consolidated financial statements.

Issuer	Arcos Dorados B.V.
Guarantors	All Restricted Subsidiaries other than Non-Guarantor Restricted Subsidiaries. The Non-Guarantor Restricted Subsidiaries represented in the aggregate approximately 5.9% of the Company's total revenues in 2008.
Notes offered	U.S.$450 million aggregate principal amount of 7.50% senior notes due 2019.
Issue price	99.136%
Issue Date	October 1, 2009
Maturity date	October 1, 2019
Interest payment dates	April 1 and October 1, commencing on April 1, 2010.
Interest	The notes will bear interest from October 1, 2009 at the annual rate of 7.50%, payable semi-annually in arrears on each interest payment date.
Ranking	The notes and guarantees will be senior unsecured obligations and will rank equal in right of payment with all of our and the subsidiary guarantors' existing and future senior unsecured indebtedness. The notes and the guarantees will effectively rank junior to all of our and the subsidiary guarantors' secured indebtedness to the extent of the value of our assets securing such indebtedness. As of June 30, 2009, after giving pro forma effect to the issuance and sale of the notes and the application of the net proceeds from this offering, we would have had consolidated total indebtedness of U.S.$512.5 million. Of this amount, U.S.$60.15 million would have been secured indebtedness.
Optional redemption	On or after October 1, 2014, we may redeem some or all of the notes at any time at the redemption prices set forth in "Description of the Notes — Optional Redemption." Before October 1, 2014, we may also redeem the notes, in whole but not in part, at a redemption price based on a "make-whole" premium. In addition, prior to or on October 1, 2012, we may redeem up to 35% of the original principal amount of the notes with the net proceeds from certain equity offerings by us, at a price of 107.50% of the aggregate principal amount thereof, plus accrued and unpaid interest.
Change of Control Offer	Upon the occurrence of a Change of Control (as defined in "Description of the Notes"), we will be required to make an offer to purchase the notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest. See "Description of the Notes — Change of Control" and "— Certain Definitions."

Covenants	The indenture governing the notes will contain covenants that limit future actions to be taken, or transactions to be entered into, by us and our restricted subsidiaries. The indenture limits our and our restricted subsidiaries' ability to, among other things: • incur additional indebtedness; • pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness; • make investments; • create liens; • create limitations on the ability of our restricted subsidiaries to pay dividends, make loans or transfer property to us; • engage in transactions with affiliates; • sell assets, including capital stock of our subsidiaries; and • consolidate, merge or transfer assets. These covenants are subject to important qualifications and exceptions. See "Description of the Notes — Covenants."
Events of default	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, and any other amounts due with respect to the notes, see "Description of Notes — Events of Default."
Use of proceeds	The net proceeds from the issue of the notes will be used (i) to repay outstanding indebtedness under our credit agreement (ii) to repay certain of our short-term indebtedness and (iii) for other general corporate purposes. See "Use of Proceeds."
Form and denomination; settlement	The notes will be issued in the form of global notes without coupons, registered in the name of a nominee of The Depository Trust Company and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme. The notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof.
Transfer restrictions	We have not registered the notes under the Securities Act. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."
Listing	We have applied to list the notes on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF market.
Governing law	The indenture and the notes will be governed by the laws of the State of New York.
Trustee, registrar, paying agent and transfer agent	Citibank, N.A.
Luxembourg paying agent, transfer agent and listing agent	Dexia Banque Internationale à Luxembourg

Selling restrictions .... There are restrictions on persons to whom notes can be sold, and on the distribution of this offering memorandum, as described in "Plan of Distribution."

Risk Factors

You should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge you to carefully consider the information set forth under "Risk Factors" for a discussion of risks and uncertainties relating to us, our subsidiaries, our business, our shareholders and an investment in the notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

The summary income statement and balance sheet data as of and for the years ended December 31, 2007 and 2008 of Arcos Dorados B.V. are derived from the consolidated financial statements included elsewhere in this offering memorandum, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global ("E&Y"). We did not commence operations until the Acquisition on August 3, 2007, consequently, the income statement data for the year ended December 31, 2007 only includes five months of operations. For details of 2007 pro forma unaudited financial information included in this offering memorandum for comparative purposes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The summary income statement and balance sheet data for the six month periods ended June 30, 2008 and 2009 are derived from unaudited consolidated financial statements, which were subject to limited review procedures by E&Y as indicated in their review report included elsewhere in this offering memorandum. These unaudited statements include all normal recurring adjustments that management believes are necessary to fairly present our financial position, operating results and cash flows. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the entire year ended December 31, 2009.

We maintain our books and records in U.S. dollars and prepare our consolidated financial statements in accordance with U.S. GAAP. This financial information should be read in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum.

As discussed in Note 3 to our consolidated financial statements, there are currency restrictions in place in Venezuela that limit our ability to physically convert local currency to U.S. dollars. Due to currency controls, there is no free-market currency exchange rate. Therefore, in preparing our consolidated financial statements, we use the exchange rate established by the Venezuelan government to translate the local currency financial statements into our reporting currency. If the Venezuelan local currency resumes trading in an open market, we believe the exchange rate may be significantly greater than the rate set by the government. A significant devaluation of the local currency would result in a decline in our revenues and, to a lesser extent, our operating income when reported in U.S. dollars.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2007[(1)]	2008	2008	2009
			(unaudited)	
	(in thousands of U.S. dollars)			
Income Statement Data:				
REVENUES				
Sales by Company-operated restaurants	U.S.$ 895,429	U.S.$ 2,480,897	U.S.$ 1,200,388	U.S.$ 1,111,383
Revenues from franchised restaurants	45,910	125,945	60,431	56,614
Total revenues	**941,339**	**2,606,842**	**1,260,819**	**1,167,997**
OPERATING COSTS AND EXPENSES				
Company-operated restaurant expenses:				
Food and paper	(332,547)	(902,305)	(438,925)	(419,830)
Payroll and employee benefits	(161,871)	(461,602)	(217,024)	(219,665)
Occupancy and other operating expenses	(238,765)	(647,152)	(321,402)	(294,999)
Royalty fees	(44,878)	(118,980)	(57,433)	(53,090)
Franchised restaurants — occupancy expenses	(13,979)	(42,416)	(20,091)	(18,815)
Selling, general and administrative expenses	(71,898)	(185,984)	(86,295)	(82,890)
Other operating expenses, net	(6,310)	(26,095)	(16,441)	(4,608)

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
			(unaudited)	
	(in thousands of U.S. dollars)			
Total operating costs and expenses	**(870,248)**	**(2,384,534)**	**(1,157,611)**	**(1,093,897)**
Operating income	**71,091**	**222,308**	**103,208**	**74,100**
Net interest expense	(13,978)	(26,272)	(12,933)	(17,590)
Loss on cross-currency swap agreements	(13,672)	(2,620)	–	(25,643)
Foreign currency exchange results	(3,542)	(74,884)	12,392	(5,888)
Other non-operating income results, net	29	(1,934)	(527)	(477)
Income before income taxes	**39,928**	**116,598**	**102,140**	**24,502**
Income tax expense	(17,511)	(2,488)	(28,438)	(16,270)
Net income	**22,417**	**114,110**	**73,702**	**8,232**
Less: Net income attributable to non-controlling interests	(43)	(1,375)	(1,023)	(170)
Net income attributable to Arcos Dorados B.V.	**22,374**	**112,735**	**72,679**	**8,062**

	As of December 31,		As of June 30,	
	2007	2008	2008	2009
			(unaudited)	
	(in thousands of U.S. dollars)			
Balance Sheet Data (at period end):				
Current assets				
Cash and cash equivalents	U.S.$ 92,580	U.S.$ 105,982	U.S.$ 161,666	U.S.$ 70,100
Total current assets	**382,801**	**380,373**	**432,193**	**357,551**
Non-Current Assets				
Property and equipment, net	724,673	709,667	779,404	780,744
Total non-current assets	**862,797**	**939,767**	**931,109**	**1,050,223**
Total assets	**1,245,598**	**1,320,140**	**1,363,302**	**1,407,774**
Current Liabilities				
Accounts payable	125,495	126,387	110,994	137,701
Short-term debt	–	15,107	13,695	43,828
Total current liabilities	**375,566**	**380,933**	**374,343**	**400,728**
Non-current liabilities				
Credit agreement	350,000	350,000	350,000	350,000
Total non-current liabilities	**462,253**	**488,517**	**486,799**	**545,180**
Total liabilities	**837,819**	**869,450**	**861,142**	**945,908**

	As of December 31,		As of June 30,	
	2007	2008	2008	2009
			(unaudited)	
	(in thousands of U.S. dollars)			
Shareholders' Equity				
Common stock	27	27	27	27
Additional paid-in capital	377,546	377,546	377,546	377,546
Retained earnings	22,275	135,010	94,954	143,072
Accumulated other comprehensive income (loss)	3,084	(63,908)	23,614	(60,907)
Total Arcos Dorados B.V. shareholders' equity	**402,932**	**448,675**	**496,141**	**459,738**
Non-controlling interest in subsidiaries	4,847	2,015	6,019	2,128
Total shareholders' equity	**407,779**	**450,690**	**502,160**	**461,866**
Total liabilities and shareholders' equity	**1,245,598**	**1,320,140**	**1,363,302**	**1,407,774**

	As of and for the Year Ended December 31,		As of and for the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
			(unaudited)	
	(in thousands of U.S. dollars, except percentages and average restaurant sales)			
Other Data:				
Operating Income				
Brazil	U.S.$ 30,643	U.S.$111,318	U.S.$ 48,938	U.S.$ 44,472
Caribbean division	8,466	9,100	7,637	19
NOLAD	8,031	7,987	8,655	(7,088)
SLAD	30,129	114,411	48,867	36,903
Corporate	(6,178)	(20,508)	(10,889)	(206)
Total	**71,091**	**222,308**	**103,208**	**74,100**
Operating Margin[2]				
Brazil	6.6%	9.0%	8.0%	9.1%
Caribbean division	9.3	3.9	6.7	–
NOLAD	8.7	3.4	7.6	(6.7)
SLAD	10.2	12.6	11.7	8.0
Corporate	–	–	–	–
Total	**7.6**	**8.5**	**8.2**	**6.3**

	As of and for the Year Ended December 31,		As of and for the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
			(unaudited)	
	(in thousands of U.S. dollars, except percentages and average restaurant sales)			
Adjusted EBITDA[3]				
Brazil	U.S.$ 38,117	U.S.$132,789	U.S.$ 63,827	U.S.$ 50,469
Caribbean division	13,098	19,071	12,715	5,154
NOLAD	11,205	17,007	13,099	(1,434)
SLAD	34,655	127,602	55,980	46,827
Corporate	(6,178)	(8,381)	(3,744)	303
Total	**90,897**	**288,088**	**141,877**	**101,319**
Adjusted EBITDA margin[4]				
Brazil	8.3%	10.7%	10.4%	10.3%
Caribbean division	14.4	8.2	11.2	4.6
NOLAD	12.2	7.3	11.4	(1.3)
SLAD	11.7	14.1	13.4	10.1
Corporate	–	–	–	–
Total	**9.7**	**11.1**	**11.3**	**8.7**
Net debt[5]	263,663	273,923	204,545	387,967
Net debt/Adjusted EBITDA ratio[6]	–	1.0	0.9	1.6
Total debt/Adjusted EBITDA ratio[7]	–	1.3	1.6	1.9
Adjusted EBITDA/net financial expenses ratio[8]	–	10.0	5.7	4.2
Total debt/capitalization ratio[9]	0.5	0.5	0.4	0.5
Working capital[10]	7,235	(560)	57,850	(43,177)
Capital Expenditures[11]	45,174	167,893	46,908	48,834
Other Operating Data:				
Systemwide comparable sales growth[12][13]	–	–	–	5.3%
Brazil	–	–	–	1.3
Caribbean division	–	–	–	2.6
NOLAD	–	–	–	(6.5)
SLAD	–	–	–	16.5
Systemwide average restaurant sales[13][14]	–	U.S.$ 2,187	U.S.$ 1,075	U.S.$ 955
Systemwide sales growth [13][15]	–	–	–	(8.1)%
Brazil	–	–	–	(20.0)
Caribbean division	–	–	–	1.6
NOLAD	–	–	–	(21.0)
SLAD	–	–	–	11.7

	As of December 31,		As of June 30,	
	2007	2008	2008	2009
Systemwide restaurants:	1,592	1,639	1,597	1,660
Company-operated restaurants	1,098	1,159	1,102	1,203
Franchised restaurants	494	480	495	457

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.
(2) Operating margin is operating income divided by total revenues, expressed as a percentage.
(3) EBITDA is not a U.S. GAAP financial measure, does not represent cash flows from operations for the periods indicated and should not be considered an alternative to operating income as an indicator of our results of operations or as an alternative to cash flows from operations as an indicator of liquidity. EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to EBITDA as used by other companies. For our definition of Adjusted EBITDA and a reconciliation thereof, see "Selected Financial and Other Information."
(4) Adjusted EBITDA margin is Adjusted EBITDA divided by total revenues, expressed as a percentage.
(5) Net debt means the consolidated amount of our short-term debt and long-term debt (including the credit agreement and capital lease and hedging obligations) minus the consolidated amount of our cash and cash equivalents.
(6) Net debt/Adjusted EBITDA ratio is the ratio of our net debt as of the end of the applicable period divided by our Adjusted EBITDA for the last twelve months ended as of the end of the applicable period which includes eleven months of operations for the period ended June 30, 2008, as our operations started on August 3, 2007, the date of the Acquisition.
(7) Total debt/Adjusted EBITDA ratio is the ratio of our total debt as of the end of the applicable period divided by our Adjusted EBITDA for the last twelve months ended as of the end of the applicable period which includes eleven months of operations for the period ended June 30, 2008, as our operations started on August 3, 2007, the date of the Acquisition. Total debt means the consolidated amount of our short-term and long-term debt (including the credit agreement and capital lease and hedging obligations).
(8) Adjusted EBITDA/Net financial expenses ratio is the ratio of our Adjusted EBITDA for the last twelve months ended as of the end of the applicable period divided by our net financial expenses for the last twelve months ended as of the end of the applicable period which includes eleven months of operations for the period ended June 30, 2008, as our operations started on August 3, 2007, the date of the Acquisition. Net financial expenses means "Net interest expense" plus "Loss on cross-currency swap agreements" as disclosed in our consolidated financial statements.
(9) Total debt/capitalization ratio is the ratio of our total debt as of the end of the applicable period divided by our capitalization as of the end of the applicable period. Capitalization has been defined Total Debt plus shareholders' equity.
(10) Working capital equals current assets minus current liabilities.
(11) Includes property and equipment expenditures and purchase of restaurant businesses.
(12) Systemwide comparable sales growth refers to the change in restaurant sales in one period from a comparable period for restaurants that have been open for thirteen months or longer. Systemwide comparable sales growth are provided and are analyzed on a constant currency basis, which means they are calculated using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from these trend analyses. We believe these constant currency measures provide a more meaningful analysis of our business by identifying the underlying business trend, without distortion from the effect of foreign currency movements.
(13) Systemwide comparable sales growth, systemwide average restaurant sales and systemwide sales growth are presented on a systemwide basis, which means they include sales by Company-operated restaurants and franchised restaurants. While sales by franchisees are not recorded as revenues by us, management believes the information is important in understanding our financial performance because these sales are the basis on which we calculate and record franchised revenues and are indicative of the financial health of our franchisee base.
(14) Systemwide average restaurant sales is calculated by dividing the sales for the relevant period by the arithmetic mean of the number of restaurants at the beginning and end of such period.
(15) Systemwide sales growth refers to the change in sales by all restaurants, whether operated by us or by franchisees, from one period to another.

RISK FACTORS

You should carefully consider the risks and uncertainties described below and the other information in this offering memorandum before making an investment in the notes. The risks described below are not the only ones facing our company or investments in Latin America and the Caribbean in general. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. This offering memorandum also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Statement Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our company or investments in Latin America and the Caribbean described below and elsewhere in this offering memorandum.

Certain Factors Relating to Our Business

Our business depends on our relationship with McDonald's and changes in this relationship may adversely affect our business, results of operations and financial position.

Our rights to operate and franchise McDonald's-branded restaurants in the Territories and therefore our ability to conduct our business derive exclusively from the rights granted to us by McDonald's in the MFAs through 2027. As a result, our revenues are dependent on the continued existence of our contractual relationship with McDonald's.

Pursuant to the MFAs, McDonald's has the ability to exercise substantial influence over the conduct of our business. For example, under the MFAs, we are not permitted to operate any other quick service restaurant chains, we must own and operate at least 50% of all McDonald's-branded restaurants in the Territories, we must maintain certain guarantees in favor of McDonald's to secure our payment obligations under the MFAs and related credit documents, we cannot incur debt above certain financial ratios, we cannot transfer the equity interests of our subsidiaries, any significant portion of their assets or any of the real estate properties we own without McDonald's consent, and McDonald's has the right to approve the appointment of our chief executive officer and chief operating officer. In addition, the MFAs require us to reinvest a significant amount of money on remodeling or upgrading our existing restaurants, opening new restaurants and advertising. We cannot assure you that we will have available the funds necessary to finance these commitments, and their satisfaction may require us to incur additional indebtedness. Failure to comply with these commitments could constitute a material breach of the MFAs.

Pursuant to the MFAs, McDonald's has the right to acquire all of the equity interests of our wholly owned subsidiary LatAm, LLC, the master franchisee of McDonald's for the Territories except in Brazil, and our wholly owned subsidiary Arcos Dourados Comercio de Alimentos Ltda., the master franchisee of McDonald's for Brazil, at their fair market value upon the occurrence of certain events, including a material breach of the MFAs and the death or permanent incapacity of Mr. Staton, our Chairman, CEO and controlling shareholder. In the event such right is exercised as a result of a material breach of the MFAs, the amount to be paid by McDonald's would be equal to 80% of the fair market value of the acquired equity interests. McDonald's was granted a perfected security interest in the equity interests of LatAm, LLC, Arcos Dourados Comercio de Alimentos Ltda. and certain of their subsidiaries to protect this right. In addition, McDonald's may terminate the MFAs in the event of a material breach

If the terms of the MFAs unduly restrict our ability to operate our business, if we are unable to satisfy the reinvestment commitments under the MFAs or if McDonald's exercises its right to acquire the equity interests of LatAm, LLC or Arcos Dourados Comercio de Alimentos Ltda., our business, results of operations and financial position would be materially and adversely affected.

We have a limited operating history as a stand-alone company, and the financial performance of the predecessor company may not be indicative of our future performance.

Fiscal year 2008 was the first full year in which we owned and operated our restaurants, as we commenced operations following our acquisition of McDonald's operations in the Territories pursuant to the Acquisition on August 3, 2007. Consequently, our financial statements only reflect our results of operations since that date and therefore make comparisons with prior periods difficult. As a result, our limited historical financial performance

makes it difficult to evaluate our business and results of operations to date and to assess our future prospects and viability.

We have experienced rapid growth in recent years. The failure to successfully manage this or any future growth may adversely affect our results of operations.

Our business has grown dramatically in recent years. Our growth has largely resulted from the opening of new restaurants in existing and new markets within the Territories, and also from an increase in comparable store sales during these periods. Our total number of restaurant locations has increased from 1,592 as of December 31, 2007 to 1,660 as of June 30, 2009.

Our growth is, to a certain extent, dependent on new restaurant openings. There are many obstacles in opening new restaurants, including determining the availability of desirable locations, securing reliable suppliers, training new personnel and negotiating acceptable lease terms. In the current unstable global economic environment, franchisees may be more reluctant to provide the investment required to open new restaurants and may have difficulty obtaining sufficient financing. In addition, our growth in comparable store sales is dependent on continued economic growth in the countries in which we operate as well as our ability to continue to predict and meet changing consumer preferences. It is therefore possible that we may not be able to successfully maintain our recent growth rate.

We plan our capital expenditures on an annual basis taking into account historical information, regional economic trends, restaurant opening and reimaging plans, site availability and the investment requirements of the MFAs in order to maximize our returns on invested capital. However, the success of our investment plan may be harmed by factors outside our control such as changes in macroeconomic conditions, changes in demand and construction difficulties that could jeopardize our investment returns and our future results and financial condition.

We are dependent on third-party suppliers and distributors to provide products that are necessary for our operations.

Supply chain management is an important element of our success and a crucial factor in optimizing our profitability. We use McDonald's centralized supply chain management model that relies on approved third-party suppliers and distributors for goods and we generally utilize several suppliers in meeting our needs for such goods. This system consists of the selection and development of suppliers of core products, such as beef, chicken, buns, produce, cheese, liquid products and dairy mixes, that are able to comply with McDonald's high quality standards, and the establishment of the appropriate type of relationships with these suppliers. McDonald's standards include cleanliness, product consistency, timeliness, following internationally recognized manufacturing practices, meeting or exceeding all local food regulations and compliance with our Hazard Analysis Critical Control Plan, a systematic approach to food safety that emphasizes protection within the processing facility, rather than detection, through analysis, inspection and follow-up.

If our suppliers fail to provide us with products in a timely manner due to unanticipated demand, production or distribution problems or financial distress, or if McDonald's determines that any product or service offered by an approved supplier is not in compliance with its standards and we are obligated to terminate our relationship with the supplier, we may have difficulty finding replacement suppliers due to the requirement that we only use approved suppliers. As a result, we may face inventory shortages that could negatively affect our operations.

We do not enter into written agreements with the majority of our third-party suppliers.

The process through which our suppliers are approved is thorough and lengthy in order to ensure compliance with McDonald's high quality standards. We therefore tend to develop strong relationships with such suppliers and, given our importance to them, have found that oral agreements with them are generally sufficient to ensure a reliable supply of quality products. We have such oral agreements with almost all of our suppliers and only a few are party to written contracts with us. While we source our supplies from many approved suppliers in Latin America and the Caribbean, thereby reducing our dependence on any one supplier, the informal nature of the majority of our relationships with suppliers means that we may not be assured of long-term or reliable supplies of products from such suppliers. As a result, we may face inventory shortages that could negatively affect our operations.

Our financial condition and results of operations depend, to a certain extent, on the financial condition of our franchisees and their ability to fulfill their obligations under their franchise agreements.

Approximately 28% of our restaurants, including 41% of our restaurants located in Mexico, are franchised. Under our franchise agreements, we receive monthly payments which are the greater of a fixed rent or a certain percentage of the franchisee's gross sales. Franchisees are independent operators over whom we exercise control through the franchise agreements, by owning or leasing the real estate upon which their restaurants are located and through our operating manual that specifies items such as menu items, permitted advertising, equipment, food handling procedures, product quality and approved suppliers. Our operating results depend to a certain extent on the restaurant profitability and financial viability of our franchisees. The concurrent failure by a significant number of franchisees to meet their financial obligations to us could jeopardize our ability to meet our obligations.

In addition, we are liable for our franchisees' monthly payment of a continuing franchise fee to McDonald's that represents a percentage of such franchised restaurants' gross sales. To the extent that our franchisees fail to fully pay this fee, we are responsible for any shortfall. As such, the concurrent failure by a significant number of franchisees to pay their continuing franchise fees could have a material adverse effect on our results of operations and financial position.

We do not have full operating control over the businesses of our franchisees.

We are dependent on franchisees to maintain the quality and marketability of our products, and their failure to do so could materially affect the McDonald's brand and harm our future growth. Although we exercise significant control over franchisees through the franchise agreements, franchisees have some flexibility in their operations, including the ability to set prices for our products in their restaurants, hire employees and select certain service providers. In addition, it is possible that some franchisees may not operate their restaurants in accordance with our cleanliness, health or product standards. We may not be able to identify and rectify problems with sufficient speed and, as a result, our image and operating results may be negatively affected.

Ownership and leasing of a broad portfolio of real estate exposes us to potential losses and liabilities.

As of June 2009, we owned the land for 508 of our 1,660 restaurants. This land was valued at U.S.$935.9 million as of August 31, 2009 by American Appraisal Argentina, S.A. The value of these assets could decrease or rental costs could increase due to changes in local demographics, the investment climate and increases in taxes.

The majority of our restaurant locations, or those operated by our franchisees, are subject to long-term leases. We may not be able to renew leases on acceptable terms or at all, in which case we might have to find new locations to lease or be forced to close the restaurants. If we are able to negotiate a new lease at the existing location, we may be subject to a rent increase. In addition, current restaurant locations may become unattractive due to changes in neighborhood demographics or economic conditions, which may result in reduced sales at these locations.

The success of our business is dependent on the effectiveness of our marketing strategy.

Market awareness is essential to our continued growth and our financial success. Pursuant to the MFAs, we create, develop and coordinate strategic marketing plans and promotional activities throughout the Territories, and franchisees contribute a percentage of their gross sales to our marketing plan. In addition, we are required under the MFAs to spend at least 5% of our sales on advertising and promotional activities. We also participate in global and regional marketing activities undertaken by McDonald's. However, if our advertising programs are not effective, or if our competitors begin spending significantly more on advertising than we do, we may be unable to attract new customers or existing customers may not return to our restaurants and our operating results may be negatively affected.

We utilize non-committed lines of credit to partially finance our working capital needs.

We utilize non-committed lines of credit to partially finance our working capital needs. Given the nature of these lines of credit, they could be withdrawn and no longer be available to us or their terms, including the interest rate, could change such that the terms are no longer acceptable to us. The recent lack of liquidity in financial

markets has increased the risk that we will not be able to access these lines of credit as needed. Any inability to utilize our non-committed lines of credit could have an adverse effect on our working capital, financial condition and results of operations.

Our inability to attract and retain qualified personnel may affect our growth and results of operations.

We have a strong management team with broad experience in product development, supply chain management, operations, finance, marketing and training. However, our significant growth places substantial demands on our management team and our continued growth could increase such demands. Our ability to manage future growth will depend on the adequacy of our resources and our ability to continue to identify, attract and retain qualified personnel. Failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Also, our operations depend on our ability to attract and retain qualified regional and restaurant managers and general staff. If we are unable to recruit and retain our employees, or fail to motivate them to provide quality food and service, our image, operations and growth could be adversely affected.

Labor shortages or increased labor costs could harm our operating results.

Our operations depend in part on our ability to attract and retain qualified regional and restaurant managers, professional staff and crew. While the turnover rate varies significantly among categories of employees, due to the nature of our business we traditionally experience a high rate of turnover among our crew and we may not be able to replace departing crew with equally qualified or motivated staff. For the trailing twelve months from June 2009, the average turnover rate in our five key markets ranged from 10% for our professional staff in Argentina to 120% for our crew in Mexico.

As of June 30, 2009, Arcos Dorados had approximately 78,000 employees. Controlling labor costs is critical to our results of operations, and we closely monitor such costs. As in many of the Territories some of our employees are paid minimum wages, any increases in the minimum wage or labor regulations could increase our labor costs. Competition for employees could also cause us to pay higher wages.

Our controlling shareholders may have interests that differ from your interests as a noteholder.

Mr. Staton indirectly owns 40% of our equity interests and 51% of our voting interests, and three other shareholders currently own substantially all of the remainder of our equity and voting interests. As a result, Mr. Staton and certain shareholders are and will be able to strongly influence or effectively control the election of our directors, determine the outcome of substantially all actions requiring shareholder approval and shape our corporate and management policies. So long as such shareholders continue to own a significant amount of the outstanding shares of our common stock, they will continue to be able to strongly influence or effectively control our decisions, including expansion plans, marketing strategies, product offerings and other significant corporate decisions and transactions.

The interests of Mr. Staton and certain shareholders may not coincide with yours as a holder of notes. For example, Mr. Staton and such shareholders may have an interest in undertaking expansions, divestitures, financings and other actions that, in their judgment, could enhance their equity investments, even though those actions might involve risks to you as a holder of the notes.

A failure by McDonald's to protect its intellectual property rights, including its brand image, could harm our financial condition.

The profitability of our business depends in part on consumers' perception of the strength of the McDonald's brand. Under the terms of the MFAs, we are required to assist McDonald's with the protection of its intellectual property rights in the Territories. Nevertheless, any failure by McDonald's to protect its proprietary rights could harm its brand image, which could affect our competitive position and our operating results.

Under the MFAs, we may use, and grant rights to franchisees to use, McDonald's intellectual property in connection with the development, operation, promotion, marketing and management of our restaurants.

McDonald's has reserved the right to use, or grant licenses to use, its intellectual property in Latin America and the Caribbean for all other purposes, including to sell, promote or license the sale of products using its intellectual property. If we or McDonald's fail to identify unauthorized filings of McDonald's trademarks and imitations thereof, and we or McDonald's do not adequately protect McDonald's trademarks and copyrights, the infringement of McDonald's intellectual property rights by others may cause harm to McDonald's brand image and decrease our sales.

Any tax increase or change in tax legislation may adversely affect our operating results.

Since we conduct our business in many countries in Latin America and the Caribbean, we are subject to the application of multiple tax laws and multinational tax conventions. Our effective tax rate is therefore dependent on the effectiveness of our tax planning abilities. Our income tax position and effective tax rate is subject to uncertainty as our income tax position for each year depends on the profitability of Company-operated restaurants and on the profitability of franchised restaurants operated by our franchisees in tax jurisdictions with a broad range of income tax rates. It is also dependent on changes in the valuation of deferred tax assets and liabilities, the impact of various accounting rules, changes to these rules and tax laws and examinations by various tax authorities. If our actual tax rate differs significantly from our estimated tax rate, this could have a material impact on our financial condition. In addition, any increase in tax rates, such as income taxes, excise taxes, value added taxes, import and export duties, tariff barriers or economic protectionism could negatively affect our business. We cannot assure you that any governmental authority in any country in which we operate will not impose or increase taxes on our products in the future.

Negative resolution of disputes with taxing authorities in any of the jurisdictions in which we operate may negatively affect our business and results of operations.

We and our predecessor company have in the past been engaged in tax disputes with Venezuelan tax authorities that culminated in the temporary closure of our restaurants in Venezuela in 2005 and 2008. On October 10, 2008, government tax officials closed all of our 115 restaurants for a period of 48 hours because they believed our record of purchases was not properly organized in chronological order. However, no finding was made that we had improperly paid taxes nor were any fines imposed on us as a result. Subsequent closures or disagreements with Venezuelan tax authorities could materially and adversely affect our results of operations and financial condition.

We are engaged in several disputes and are currently party to a number of tax proceedings with Brazilian tax authorities, liability for and defense of which was retained by McDonald's as part of the Acquisition. However, we cannot assure you that we will not be involved in similar disputes or proceedings in the future, in which case we may be solely liable for the defense thereof and any resulting liability. See "Business — Legal Proceedings."

Litigation and other pressure tactics could expose our business to financial and reputational risk.

Given that we conduct our business in many countries, we may be subject to private or governmental lawsuits, including but not limited to lawsuits relating to labor and employment practices, taxes, trade and business practices, intellectual property, food tampering and antitrust matters. In the past, QSR chains have been subject to class-action lawsuits claiming that their food products and promotional strategies have contributed to the obesity of some customers. We cannot guarantee that we will not be subject to this type of lawsuit in the future. We may also be the target of pressure tactics such as strikes, boycotts and negative publicity from suppliers, distributors, employees, animal rights activists and consumers which may negatively affect our reputation.

Investors may experience difficulties in enforcing civil liabilities against us or our directors and officers.

We are organized under the laws of the Netherlands, and most of our directors and officers reside outside the United States. In addition, all or a substantial portion of our assets and their respective assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them or us, including any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability in non-U.S. jurisdictions, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities law.

Certain Factors Relating to Our Industry

The food services industry is intensely competitive and we may not be able to continue to compete successfully.

Although competitive conditions in the QSR industry vary in each of the countries in which we conduct our operations, we compete with many well-established restaurant companies on price, brand image, quality, sales promotions, new product development and restaurant locations. Since the restaurant industry has few barriers to entry, our competitors are diverse and range from national and international restaurant chains to individual local restaurant operators. Our largest competitors include Burger King, which operates 1,078 restaurants throughout Latin America and the Caribbean, Yum! Brands, which operates approximately 880 restaurants in the region, mostly KFC and Pizza Hut restaurants, and Subway, which operates approximately 1,249 restaurants in Latin America and the Caribbean. In Brazil, we also compete with Habib's, a local QSR chain that focuses on Middle Eastern food and, according to Euromonitor, operates 305 restaurants, and Bob's, a local QSR chain that focuses on the burger product line and operates 437 restaurants. We expect competition to increase as our competitors continue to expand their operations, introduce new products and aggressively market their brands.

If any of our competitors offer products that are better priced or more appealing to the tastes of consumers, increase their number of restaurants, obtain more desirable restaurant locations, provide more attractive financial incentives to management personnel, franchisees or hourly employees or have more effective marketing initiatives than we do in any of the markets in which we operate, this could have a material adverse effect on our results of operations.

Increases in commodity prices or other operating costs could harm our operating results.

Food and paper products represented 35.9% of our total revenues for the six months ended June 20, 2009, and we import approximately 25% of our products in our various markets and 100% of the toys distributed in our restaurants. We rely on, among other commodities, beef, chicken, produce, and dairy and liquid products. The cost of food and supplies depends on several factors, including global supply and demand, weather conditions, fluctuations in energy costs and tax incentives, which may make us susceptible to substantial price and currency fluctuations. Due to the competitive nature of the restaurant industry, we may be unable to pass increased operating costs on to our customers, which could have an adverse effect on our results of operations.

Demand for our products may decrease due to changes in consumer preferences or other factors.

Our competitive position depends on our continued ability to offer items that have a strong appeal to consumers. If consumer dining preferences change due to health or dietary inclinations and our consumers begin to seek out alternative restaurant options, our financial results might be adversely affected. In addition, negative publicity about our products could also materially affect our business and results of operations.

Recently, along with several of our competitors, we have introduced new product offerings to appeal to consumers who seek products that are nutritious and lower in calories or fat content. Our success in responding to consumer demands depends in part on our ability to anticipate these demands and to introduce new items to address such demands in a timely fashion.

Our business activity may be negatively affected by disruptions, catastrophic events or health pandemics.

Unpredictable events beyond our control, including war, terrorism, and natural disasters, could disrupt our operations and those of our franchisees, suppliers or customers, have a negative effect on consumer spending or result in political or economic instability. These events could reduce demand for our products or make it difficult to ensure the regular supply of products through our distributors.

In addition, incidents of health pandemics, food-borne illnesses or food tampering could reduce sales in our restaurants. Widespread illnesses such as avian influenza, the H1N1 influenza virus or "swine flu", e-coli, bovine spongiform encephalopathy or "mad cow's disease," hepatitis A, or salmonella could cause customers to avoid meat or fish products. For example, the recent swine flu outbreak in Mexico significantly impacted our sales in that country. Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne

illness incidents could be caused by third-party food suppliers and distributors who operate outside of our control and/or multiple locations being affected rather than a single restaurant. Media reports of health pandemics or food-borne illnesses found in the general public or in any quick service restaurant could dramatically affect restaurant sales in one or several countries in which we operate, or could force us to temporarily close an undetermined number of restaurants. While we uphold extremely high standards in the quality of our food products and dedicate substantial resources to ensure that these standards are met, the spread of such illnesses is often beyond our control and we cannot assure you that new illnesses resistant to any precautions we may take will not develop in the future.

In addition, our industry has long been subject to the threat of food tampering by suppliers, employees or customers, such as the addition of foreign objects in the food that we sell. Reports, whether true or not, of injuries caused by food tampering have in the past negatively affected the reputations of QSR chains and could affect us in the future. Instances of food tampering, even those occurring solely at restaurants of our competitors could, by resulting in negative publicity about the restaurant industry, adversely affect our sales on a local, regional, national or systemwide basis. A decrease in customer traffic as a result of these health concerns or negative publicity could materially affect our business, results of operations and financial condition.

Prolonged impact of the current recession in Latin America and the Caribbean could have a significant effect on our operating results.

The success of our business is dependent on discretionary consumer spending, which is influenced by general economic conditions, consumer confidence and the availability of discretionary income. Any prolonged continuation of the current global economic downturn initially caused by the credit crisis could result in a decline in discretionary consumer spending. This may reduce the number of consumers who are able and willing to dine in our restaurants, or consumers may make more value-driven and price-sensitive purchasing choices, eschewing our core menu items for our entry level food options. We may also be unable to increase prices of our menu items, which may negatively affect our financial condition.

In addition, the current global economic downturn may lead to higher interest rates, significant changes in the rate of inflation or the inability to access capital on acceptable terms. Our suppliers could experience cash flow problems, credit defaults, and other financial hardships. If our franchisees cannot adequately access the financial resources required to open new restaurants, this could have a material effect on our growth strategy.

Restrictions on promotions and advertisements directed at families with children may harm McDonald's brand image and our results of operations.

A significant portion of our business depends on our ability to make our product offerings appealing to families with children. Restrictions on the ways in which we market our products are under consideration in Argentina, Brazil, Chile and Venezuela, including proposals restricting our ability to sell toys in conjunction with food. Regulatory developments that adversely impact our ability to communicate effectively with our target customers, including restrictions on the use of licensed characters, may prevent us from promoting McDonald's brand image and, consequently, may have a negative impact on our results of operations.

Environmental laws and regulations may affect our business.

We are subject to various environmental laws and regulations. These laws and regulations govern, among other things, discharges of pollutants into the air and water as well as the presence, handling, release and disposal of and exposure to, hazardous substances. These laws and regulations provide for significant fines and penalties for noncompliance. Third parties may also make personal injury, property damage or other claims against owners or operators of properties associated with releases of, or actual or alleged exposure to, hazardous substances at, on or from our properties.

Environmental conditions relating to prior, existing or future restaurants or restaurant sites, including franchised restaurant sites, may have a material adverse effect on us. Moreover, the adoption of new or more stringent environmental laws or regulations could result in a material environmental liability to us.

Certain Factors Relating to Latin America and the Caribbean

Our business is subject to the risks generally associated with international business operations.

We engage in business activities throughout Latin America and the Caribbean. In 2008, 84.4% of our revenues were derived from Brazil, Argentina, Mexico, Puerto Rico and Venezuela. As a result, our business is and will continue to be subject to the risks generally associated with international business operations, including:

- governmental regulations applicable to food services operations;
- changes in social, political and economic conditions;
- transportation delays;
- power and other utility shutdowns or shortages;
- restrictions on currency convertibility and volatility of foreign exchange markets;
- import-export quotas;
- changes in local labor conditions;
- changes in tax and other laws and regulations;
- expropriation and nationalization of our assets in a particular jurisdiction; and
- restrictions on repatriation of dividends or profits.

Some of the countries in which we operate have been subject to social and political instability in the past, and interruptions in operations could occur in the future. Our sales could be adversely affected by many of the foregoing factors.

Changes in governmental policies in the principal countries in which we operate could adversely affect our business, results of operations, financial condition and prospects.

Governments throughout Latin America and the Caribbean have exercised, and continue to exercise, significant influence over the economy of their respective countries. In 2008, 47.5% of our revenues were generated in Brazil, while 15.1% of our revenues were generated in Venezuela, 11.4% in Argentina and 5.5% in Mexico, respectively. Accordingly, the governmental actions, political developments, regulatory and legal changes or administrative practices of those countries concerning the economy in general and the food services industry in particular could have a significant impact on us. We cannot assure you that changes in the governmental policies of these countries will not adversely affect our business, results of operations, financial condition and prospects.

Inflation and government measures to curb inflation, may adversely affect the economies in the countries where we operate, our business and operations.

Many of the countries in which we operate have experienced, or are currently experiencing, high rates of inflation. Although inflation rates in many of these countries have been relatively low in the recent past, we cannot assure you that this trend will continue. The measures taken by the governments of these countries to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in many of these countries and to heightened volatility in their securities markets. Periods of higher inflation may also slow the rate of growth of local economies, which could lead to reduced demand for our core products and decreased sales. Inflation is also likely to increase some of our costs and expenses, which we may not be able to fully pass on to our customers, which could adversely affect our operating margins and operating income.

In addition, inflation in Venezuela has continued to increase over the past few years and it is possible that Venezuela will be designated as a highly inflationary economy during 2009. Gains and losses resulting from the translation of the financial statements of subsidiaries operating in highly inflationary economies are recorded in earnings. If Venezuela is designated as a highly inflationary economy, our earnings would be negatively impacted.

Exchange rate fluctuations against the U.S. dollar in the countries in which we operate and significant variations in interest rates could negatively affect our results of operations.

We are exposed to exchange rate risk in relation to the United States dollar. While substantially all of our income is denominated in the local currencies of the countries in which we operate, our supply chain management involves the importation of various products, and some of our imports, as well as some of our capital expenditures, are denominated in U.S. dollars. As a result, any decrease in the value of the local currencies of the countries in which we operate as compared to the U.S. dollar will increase our costs. In addition, 90.9% of our outstanding debt was denominated in U.S. dollars as of June 30, 2009.

As such, any fluctuation in the value of the U.S. dollar with respect to the various currencies of the countries in which we operate or in U.S. dollar interest rates could adversely impact on our net income, results of operations and financial condition. In addition, as discussed in Note 3 to our consolidated financial statements, there are currency restrictions in place in Venezuela that limit our ability to physically convert local currency to U.S. dollars. Due to currency controls, there is no free-market currency exchange rate. Therefore, in preparing our consolidated financial statements, we use the exchange rate established by the Venezuelan government to translate the local currency financial statements into our reporting currency. If the Venezuelan local currency resumes trading in an open market, we believe the exchange rate may be significantly greater than the rate set by the government. A significant devaluation of the local currency would result in a decline in our revenues and, to a lesser extent, our operating income when reported in U.S. dollars.

Price controls in certain countries have affected and may continue to affect our results of operations.

Certain countries in which we conduct operations have imposed price controls that restrict our ability, and the ability of our franchisees, to adjust the prices of our products. This places downward pressure on the prices at which our products are sold and may limit the growth of our revenue. We cannot assure you that the negative effects of such previously imposed price controls will not continue in the near future, or that new controls will not be imposed. Our inability to control the prices of our products could have an adverse effect on our results of operations.

We could be subject to expropriation or nationalization of our assets in certain countries in which we operate.

We face a risk of expropriation or nationalization of our assets in several of the countries in which we do business; however, these risks are particularly heightened in Venezuela. The current Venezuelan government has promoted a model of increased state participation in the economy through welfare programs, exchange and price controls and the promotion of state-owned companies. We can provide no assurance that Company-operated or franchised restaurants will not be threatened with expropriation and that our operations will not be transformed into state-owned enterprises.

We are subject to significant foreign currency exchange controls in certain countries in which we operate.

Certain Latin American economies have experienced shortages in foreign currency reserves and have adopted restrictions on the ability to transfer funds out of such countries and convert local currencies into U.S. dollars. This may increase our costs and limit our ability to convert local currency into U.S. dollars and transfer funds out of certain countries. Any such shortages or restrictions may limit or impede our ability to transfer or to convert such currencies into U.S. dollars and to transfer such funds including for the payment of interest or principal on our outstanding debt, including the notes. For example, in 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to make payments abroad. While these restrictions have been substantially eased, Argentina may tighten exchange controls or transfer restrictions in the future to prevent capital flight, counter a significant depreciation of the Argentine *peso* or address other unforeseen circumstances.

In Venezuela, the official *bolívar fuerte*-U.S. dollar exchange rate is established by the Central Bank of Venezuela, and the Venezuelan Ministry of Finance attributes to the *bolívar fuerte* a value which we believe is significantly greater than the value that would prevail in an open market. The official rate is the rate used for recording the assets, liabilities and transactions for our Venezuelan subsidiaries. Moreover, the conversion of

bolívares fuertes into foreign currencies is limited by the current exchange control regime. Accordingly, the acquisition of foreign currency by Venezuelan companies to honor foreign debt, pay dividends or otherwise move capital out of Venezuela is subject to registration and to an application and approval process by CADIVI, and to the availability of foreign currency within the guidelines set forth by the National Executive Power for the allocation of foreign currency. Such approvals have become less forthcoming over time, resulting in a significant increase in our exchange rate and exchange control risks. If CADIVI does not approve further exchanges at the official exchange rate, we may need to rely on a bond-based exchange process, under which we purchase bonds issued by the Venezuelan government in *bolívares fuertes* and then immediately exchange those bonds outside Venezuela for bonds denominated in U.S. dollars, which we would currently be unable to do at a favorable exchange rate. This could result in our having fewer U.S. dollars than currently reported as cash and cash equivalents and may result in a charge to net income.

As of June 30, 2009, revenues from our subsidiaries in Venezuela and Argentina represented 19.1% and 11.3% of our revenues, respectively. If we are prohibited from transferring funds out of Venezuela and/or Argentina, or if we become subject to similar restrictions in other countries in which we operate, our results of operations and financial condition could be adversely affected.

If we fail to comply with or become subject to more onerous government regulations, our business could be adversely affected.

We are subject to various federal, state and municipal laws and regulations in the countries in which we operate, including those related to the food services industry, health and safety standards, marketing and promotional activities, nutritional labeling, zoning and land use, environmental standards and consumer protection. We seek to maintain compliance with these laws and regulations. The adoption of new laws or regulations may increase our operating costs or impose restrictions on our operations, which could have an adverse impact on our financial condition.

Regulations governing the food services industry have tended to become more restrictive over time. We cannot assure you that new and stricter standards will not be adopted or become applicable to us, or that stricter interpretations of existing laws and regulations will not occur. Any such event may require us to spend additional funds to achieve compliance with such new rules, if possible, and therefore increase our cost of operation.

Certain Factors Relating to the Notes and the Guarantees

Our indebtedness could adversely affect our business, financial condition and results of operations, as well as our ability to meet our payment obligations under the notes and our other debt.

Following this offering we will have a significant amount of debt and debt service requirements. As of June 30, 2009, after giving effect to this offering we would have had approximately U.S.$512.5 million of outstanding debt.

This level of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the notes and our other outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing or any future credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under the notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the notes and our other debt.

Despite our current indebtedness levels, we may still be able to incur substantially more debt. This could exacerbate further the risks associated with our substantial leverage.

We and our subsidiaries may be able to incur substantial additional indebtedness, including secured indebtedness, in the future. The terms of the indenture will restrict, but will not completely prohibit, us from doing so. In addition, the indenture will allow us to issue additional notes under certain circumstances, which will also be guaranteed by the guarantors. The indenture will also allow us to incur certain secured debt which would be effectively senior to the notes. In addition, the indenture will not prevent us from incurring other liabilities that do not constitute indebtedness. See "Description of the Notes." If new debt or other liabilities are added to our current debt levels, the related risks that we now face could intensify.

Not all of our subsidiaries will be required to guarantee the notes, and the assets of any non-guarantor subsidiaries may not be available to make payments on the notes.

The subsidiaries of the Company incorporated or organized in French Guiana, Guadeloupe and Martinique, and the subsidiaries Arcos Mendocinos S.A., Arcos Cordobeses, S.A., Arcos Santafesinos S.A., Adcon S.A., Compañia de Inversiones Inmobiliarias (C.I.I.) S.A., Arcos de Viña, S.A., Arcos Dorados Paisas, Ltda., Arcos Dorados Paisas, Ltda. & Cia. S.C.A., Operaciones Arcos Dorados de Perú, S.A., and Bohemia Corp. S.A., represented in the aggregate 5.9% of our revenues in 2008. These subsidiaries cannot guarantee the notes because of local laws or the existence of minority shareholders. See "Description of the Notes — Subsidiary Guarantees".

In the event that any of our non-guarantor restricted subsidiaries becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of their debt, and their trade creditors generally, will be entitled to payment on their claims from the assets of that subsidiary before any of those assets are made available to us or any guarantors. Consequently, your claims in respect of the notes will be effectively subordinated to all of the liabilities of any of our subsidiaries that is not a guarantor, including trade payables. In addition, the indenture will, subject to certain limitations, permit these subsidiaries to incur additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that these subsidiaries may incur.

Fraudulent conveyance laws may void the notes and/or the subsidiary guarantees or subordinate the notes and/or the subsidiary guarantees.

The issuance of the notes may be subject to review under applicable bankruptcy law or relevant fraudulent conveyance laws if a bankruptcy lawsuit is commenced by or on behalf of our or the guarantors' creditors. Under these laws, if in such a lawsuit a court were to find that, at the time the notes are issued, we:

- incurred this debt with the intent of hindering, delaying or defrauding current or future creditors; or
- received less than reasonably equivalent value or fair consideration for incurring this debt, and the issuer:
  - was insolvent or was rendered insolvent by reason of the related financing transactions;

- was engaged, or about to engage, in a business or transaction for which our remaining assets constituted unreasonably small capital to carry on our business; or
- intended to incur, or believed that we would incur, debts beyond our ability to pay these debts as they mature, as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes;

then the court could void the notes or subordinate the notes to our presently existing or future debt or take other actions detrimental to you.

We cannot assure you as to what standard a court would apply in order to determine whether we were "insolvent" as of the date the notes were issued, and we cannot assure you that, regardless of the method of valuation, a court would not determine that we were insolvent on that date. Nor can we assure you that a court would not determine, regardless of whether we were insolvent on the date the notes were issued, that the payments constituted fraudulent transfers on another ground.

The guarantees may also be subject to review under various laws for the protection of creditors. The analysis set forth above would generally apply, except that the guarantees could also be subject to the claim that, since the guarantees were incurred for our benefit, and only indirectly for the benefit of the guarantors, the obligations of the guarantors thereunder were incurred for less than reasonably equivalent value or fair consideration. A court could void a guarantor's obligation under its guarantee, subordinate the guarantee to the other indebtedness of a guarantor, direct that holders of the notes return any amounts paid under a guarantee to the relevant guarantor or to a fund for the benefit of its creditors, or take other action detrimental to the holders of the notes. In addition, the liability of each guarantor under the indenture will be limited to the amount that will result in its guarantee not constituting a fraudulent conveyance, and there can be no assurance as to what standard a court would apply in making a determination as to what would be the maximum liability of each guarantor.

It is possible that the guarantees of our subsidiaries may not be enforceable in the event of insolvency or bankruptcy.

The guarantees provide a basis for a direct claim against the subsidiary guarantors. However, it is possible that the guarantees may not be enforceable under the laws of various jurisdictions or U.S. federal or state law. In particular, while the laws of these jurisdictions do not prevent the guarantees from being granted, in the event that a subsidiary guarantor is declared insolvent or bankrupt, the relevant guarantee may be deemed to have been a fraudulent transfer and declared void, based upon the subsidiary guarantor being deemed not to have received fair consideration in exchange for such guarantee.

We may be unable to make a change of control offer required by the indenture governing the notes which would cause defaults under the indenture governing the notes.

The terms of the notes will require us to make an offer to repurchase the notes upon the occurrence of a change of control at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. Any financing arrangements we may enter may require repayment of amounts outstanding in the event of a change of control and limit our ability to fund the repurchase of your notes in certain circumstances. It is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our credit facilities and other financing arrangements will not allow the repurchases. See "Description of the Notes — Change of Control."

An active trading market may not develop for the notes, which may hinder your ability to liquidate your investment.

The notes are a new issue of securities with no established trading market. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market. We cannot assure you, however, that an active trading market for the notes will develop or be sustained. Certain of the initial purchasers have informed us that they intend to make a market in the notes after the completion of this offering. However, the initial purchasers are not obligated to do so and may cease their

market-making at any time. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for fixed income securities and by changes in our financial performance or prospects or in the prospects for companies in our industry in general. As a result, we cannot assure you that an active trading market will develop for the notes. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all. The reoffering and resale of the notes is subject to significant legal restrictions.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act or any state securities laws. As a result, holders of notes may reoffer or resell notes only if there is an applicable exemption from the registration requirements of the Securities Act and applicable state laws that apply to the circumstances of the offer and sale.

The notes will be effectively subordinated to our secured debt and to certain claims preferred by statute.

Our obligations under the notes are unsecured. As a result, the notes will be effectively subordinated to all of our secured debt to the extent of the value of the collateral securing such debt. As of June 30, 2009, U.S.$411.9 million of our debt was secured by collateral. Our secured debt consisted principally of the credit agreement and our hedging obligations.

Further, the terms of the indenture permit us to incur additional secured debt in the future. In the event that we are not able to repay amounts due under any existing or future secured debt obligations, creditors could proceed against the collateral guaranteeing such indebtedness. In that event, any proceeds upon a realization of the collateral would be applied first to amounts due under the secured debt obligations before any proceeds would be available to make payments on the notes. If there is a default under our debt obligations, the value of this collateral may not be sufficient to repay both our secured creditors and the holders of the notes. Additionally, the claims of holders of the notes will rank effectively junior to certain obligations that are preferred by statute, including certain claims relating to taxes, social security and labor.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements that constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Many of the forward-looking statements contained in this offering memorandum can be identified by the use of forward-looking words such as "anticipate," "believe," "could," "expect," "should," "plan," "intend," "estimate" and "potential," among others.

Forward-looking statements appear in a number of places in this offering memorandum and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to, those identified under the section entitled "Risk Factors" in this offering memorandum. These risks and uncertainties include factors relating to:

- general economic, political, demographic and business conditions in Latin America and the Caribbean;
- fluctuations in inflation and exchange rates in Latin America and the Caribbean;
- our ability to implement our growth strategy;
- the success of operating initiatives, including advertising and promotional efforts and new product and concept development by us and our competitors;
- our ability to compete and conduct our business in the future;
- changes in consumer tastes and preferences, including changes resulting from concerns over nutritional or safety aspects of beef, poultry, french fries or other foods or the effects of health pandemics and food-borne illnesses such as "mad cow disease" and avian influenza or "bird flu," and changes in spending patterns and demographic trends, such as the extent to which consumers eat meals away from home;
- the availability, location and lease terms for restaurant development;
- our intention to focus on our restaurant reimaging plan;
- our franchisees, including their business and financial viability and the timely payment of such franchisees' obligations due to us and to McDonald's;
- our decision to own and operate restaurants or to operate under franchise agreements;
- the availability of qualified restaurant personnel for us and for our franchisees, and the ability to retain such personnel;
- changes in commodity costs, labor, supply, fuel, utilities, distribution and other operating costs;
- our ability, if necessary, to secure alternative distribution of supplies of food, equipment and other products to our restaurants at competitive rates and in adequate amounts, and the potential financial impact of any interruptions in such distribution;
- changes in government regulation;
- other factors that may affect our financial condition, liquidity and results of operations; and
- other risk factors discussed under "Risk Factors."

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

USE OF PROCEEDS

We intend to apply the net proceeds, after deducting commissions and estimated expenses, of US$441,387,000 of this offering towards (i) the repayment of the U.S.$350 million of outstanding indebtedness under the credit agreement, which as of June 30, 2009 accrued interest at LIBOR plus 425 basis points per year and matures on November 10, 2013, (ii) repayment certain of our short-term indebtedness and (iii) other general corporate purposes.

Pending any specific application, the proceeds from this offering may be invested in short-term marketable securities.

CAPITALIZATION

The table below sets forth our consolidated debt and capitalization (defined as short-term debt, long-term debt and shareholders' equity) as of June 30, 2009 derived from our unaudited consolidated interim financial statements prepared in accordance with U.S. GAAP:

- on an actual basis; and
- as adjusted to give effect to the issuance of the notes offered hereby and the application of the gross proceeds therefrom.

Investors should read this table in conjunction with our consolidated financial statements included in this offering memorandum.

	As of June 30, 2009	
	Actual	**As Adjusted**
	(in thousands of U.S. dollars)	**(in thousands of U.S. dollars)**
Cash and cash equivalents	U.S.$70,100	U.S.$124,485
Short-term debt:[1]		
Short-term debt	43,828	–
Long-term debt:		
Credit agreement	350,000	–
Cross-currency and interest rate swaps	61,938	60,151
Capital lease obligations (including current portion)	2,301	2,301
Notes offered hereby	–	450,000
Total long-term debt	414,239	512,452
Shareholders' equity:		
Total shareholders' equity	461,866	461,866
Total capitalization	919,933	974,318

(1) Short-term debt does not include U.S.$30 million in *bolivarés fuertes* denominated short-term commercial paper to be issued by our Venezuelan subsidiary in the fourth quarter of 2009. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Venezuelan Commercial Paper Facility."

SELECTED FINANCIAL AND OTHER INFORMATION

The selected income statement and balance sheet data as of and for the years ended December 31, 2007 and 2008 of Arcos Dorados B.V. are derived from the consolidated financial statements included elsewhere in this offering memorandum, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global ("E&Y"). We did not commence operations until the Acquisition on August 3, 2007, consequently, the income statement data for the year ended December 31, 2007 only includes five months of operations. For details of 2007 pro forma unaudited financial information included in this offering memorandum for comparative purposes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The selected income statement and balance sheet data for the six month periods ended June 30, 2008 and 2009 are derived from unaudited consolidated financial statements, which were subject to limited review procedures by E&Y as indicated in their review report included elsewhere in this offering memorandum. These unaudited statements include all normal recurring adjustments that management believes are necessary to fairly present our financial position, operating results and cash flows. Operating results for the six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the entire year ended December 31, 2009.

We maintain our books and records in U.S. dollars and prepare our consolidated financial statements in accordance with U.S. GAAP. This financial information should be read in conjunction with "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum.

As discussed in Note 3 to our consolidated financial statements, there are currency restrictions in place in Venezuela that limit our ability to physically convert local currency to U.S. dollars. Due to currency controls, there is no free-market currency exchange rate. Therefore, in preparing our consolidated financial statements, we use the exchange rate established by the Venezuelan government to translate the local currency financial statements into our reporting currency. If the Venezuelan local currency resumes trading in an open market, we believe the exchange rate may be significantly greater than the rate set by the government. A significant devaluation of the local currency would result in a decline in our revenues and, to a lesser extent, our operating income when reported in U.S. dollars.

	For the Year Ended December 31,		**For the Six Months Ended June 30,**	
	2007[1]	**2008**	**2008**	**2009**
	(in thousands of U.S. dollars, except financial ratios)		**(unaudited)**	
Income Statement Data:				
REVENUES				
Sales by Company-operated restaurants	U.S.$895,429	U.S.$2,480,897	U.S.$1,200,388	U.S.$1,111,383
Revenues from franchised restaurants	45,910	125,945	60,431	56,614
Total revenues	**941,339**	**2,606,842**	**1,260,819**	**1,167,997**
OPERATING COSTS AND EXPENSES				
Company-operated restaurant expenses:				
Food and paper	(332,547)	(902,305)	(438,925)	(419,830)
Payroll and employee benefits	(161,871)	(461,602)	(217,024)	(219,665)
Occupancy and other operating expenses	(238,765)	(647,152)	(321,402)	(294,999)
Royalty fees	(44,878)	(118,980)	(57,433)	(53,090)
Franchised restaurants — occupancy expenses	(13,979)	(42,416)	(20,091)	(18,815)
Selling, general and administrative expenses	(71,898)	(185,984)	(86,295)	(82,890)
Other operating expenses, net	(6,310)	(26,095)	(16,441)	(4,608)
Total operating costs and expenses	**(870,248)**	**(2,384,534)**	**(1,157,611)**	**(1,093,897)**

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
	(in thousands of U.S. dollars, except financial ratios)		(unaudited)	
Operating income	**71,091**	**222,308**	**103,208**	**74,100**
Net interest expense	(13,978)	(26,272)	(12,933)	(17,590)
Loss on cross-currency swap agreements	(13,672)	(2,620)	–	(25,643)
Foreign currency exchange results	(3,542)	(74,884)	12,392	(5,888)
Other non-operating income results, net	29	(1,934)	(527)	(477)
Income before income taxes	**39,928**	**116,598**	**102,140**	**24,502**
Income tax expense	(17,511)	(2,488)	(28,438)	(16,270)
Net income	**22,417**	**114,110**	**73,702**	**8,232**
Less: Net income attributable to non-controlling interests	(43)	(1,375)	(1,023)	(170)
Net income attributable to Arcos Dorados B.V.	**22,374**	**112,735**	**72,679**	**8,062**

	As of December 31,		As of June 30,	
	2007	2008	2008	2009
	(in thousands of U.S. dollars)		(unaudited)	
Balance Sheet Data (at period end):				
Current assets				
Cash and cash equivalents	U.S.$92,580	U.S.$105,982	U.S.$161,666	U.S.$70,100
Total current assets	**382,801**	**380,373**	**432,193**	**357,551**
Non-current assets				
Property and equipment, net	724,673	709,667	779,404	780,744
Total non-current assets	**862,797**	**939,767**	**931,109**	**1,050,223**
Total assets	**1,245,598**	**1,320,140**	**1,363,302**	**1,407,774**
Current liabilities				
Accounts payable	125,495	126,387	110,994	137,701
Short-term debt	–	15,107	13,695	43,828
Total current liabilities	**375,566**	**380,933**	**374,343**	**400,728**
Non-current liabilities				
Credit agreement	350,000	350,000	350,000	350,000
Total non-current liabilities	**462,253**	**488,517**	**486,799**	**545,180**
Total liabilities	**837,819**	**869,450**	**861,142**	**945,908**

	As of December 31,		As of June 30,	
	2007	2008	2008	2009
	(in thousands of U.S. dollars)			
			(unaudited)	
Shareholders' equity				
Common stock	27	27	27	27
Additional paid-in capital	377,546	377,546	377,546	377,546
Retained earnings	22,275	135,010	94,954	143,072
Accumulated other comprehensive income (loss)	3,084	(63,908)	23,614	(60,907)
Total Arcos Dorados B.V. shareholders' equity	**402,932**	**448,675**	**496,141**	**459,738**
Non-controlling interest in subsidiaries	4,847	2,015	6,019	2,128
Total shareholders' equity	**407,779**	**450,690**	**502,160**	**461,866**
Total liabilities and shareholders' equity	**1,245,598**	**1,320,140**	**1,363,302**	**1,407,774**

	As of and for the Year Ended December 31,		As of and for the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
	(in thousands of U.S. dollars)			
			(unaudited)	
Other Data:				
Operating Income				
Brazil	U.S.$ 30,643	U.S.$ 111,318	U.S.$ 48,938	U.S.$ 44,472
Caribbean division	8,466	9,100	7,637	19
NOLAD	8,031	7,987	8,655	(7,088)
SLAD	30,129	114,411	48,867	36,903
Corporate	(6,178)	(20,508)	(10,889)	(206)
Total	**71,091**	**222,308**	**103,208**	**74,100**
Operating Margin[2]				
Brazil	6.6%	9.0%	8.0%	9.1%
Caribbean division	9.3	3.9	6.7	–
NOLAD	8.7	3.4	7.6	(6.7)
SLAD	10.2	12.6	11.7	8.0
Corporate	–	–	–	–
Total	**7.6**	**8.5**	**8.2**	**6.3**

	As of and for the Year Ended December 31,		As of and for the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
	(in thousands of U.S. dollars)			
			(unaudited)	
Adjusted EBITDA[3]				
Brazil	38,117	132,789	63,827	50,469
Caribbean division	13,098	19,071	12,715	5,154
NOLAD	11,205	17,007	13,099	(1,434)
SLAD	34,655	127,602	55,980	46,827
Corporate	(6,178)	(8,381)	(3,744)	303
Total	**90,897**	**288,088**	**141,877**	**101,319**
Adjusted EBITDA margin[4]				
Brazil	8.3%	10.7%	10.4%	10.3%
Caribbean division	14.4	8.2	11.2	4.6
NOLAD	12.2	7.3	11.4	(1.3)
SLAD	11.7	14.1	13.4	10.1
Corporate	–	–	–	–
Total	**9.7**	**11.1**	**11.3**	**8.7**
Net debt[5]	U.S. $263,663	U.S. $273,923	U.S.$204,545	U.S.$387,967
Net debt/Adjusted EBITDA ratio[6]	2.9	1.0	0.9	1.6
Total debt/Adjusted EBITDA ratio[7]	3.9	1.3	1.6	1.9
Adjusted EBITDA/net financial expenses ratio[8]	3.3	10.0	18.0	4.2
Total debt/capitalization ratio[9]	0.5	0.5	0.4	0.5
Working capital[10]	7,235	(560)	57,850	(43,177)
Capital Expenditures[11]	45,174	167,893	46,908	48,834
Other Operating Data:				
Systemwide comparable sales growth[12][13]	–	–	–	5.3%
Brazil	–	–	–	1.3
Caribbean division	–	–	–	2.6
NOLAD	–	–	–	(6.5)
SLAD	–	–	–	16.5
Systemwide average restaurant sales[13][14]	–	U.S.$2,187	U.S.$1,075	U.S.$955
Systemwide sales growth[13][15]	–	–	–	(8.1)%
Brazil	–	–	–	(20.0)
Caribbean division	–	–	–	1.6
NOLAD	–	–	–	(21.0)
SLAD	–	–	–	11.7

	As of December 31,		As of June 30,	
	2007	2008	2008	2009
Systemwide restaurants:	1,592	1,639	1,597	1,660
Company-operated restaurants	1,098	1,159	1,102	1,203
Franchised restaurants	494	480	495	457

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.
(2) Operating margin is operating income divided by total revenues, expressed as a percentage.
(3) EBITDA is not a U.S. GAAP financial measure, does not represent cash flows from operations for the periods indicated and should not be considered an alternative to operating income as an indicator of our results of operations or as an alternative to cash flows from operations as an indicator of liquidity. EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to EBITDA as used by other companies. For our definition of Adjusted EBITDA and a reconciliation thereof, see "Selected Financial and Other Information."

	For the Year Ended December 31,		For the Six Months Ended June 30,	
Consolidated Adjusted EBITDA Reconciliation	**2007[1]**	**2008**	**2008**	**2009**
		(in thousands of U.S. dollars)	**(unaudited)**	
Operating income	U.S.$71,091	U.S.$222,308	U.S.$103,208	U.S.$74,100
Plus:				
Depreciation and amortization	18,263	49,496	24,902	25,650
Minus/Plus:				
Other operating income/expenses classified as non-cash	1,543	5,144	4,880	1,407
Minus/Plus:				
Other operating income/expenses classified as non-recurring[a]	–	11,140	8,887	162
Adjusted EBITDA	**90,897**	**288,088**	**141,877**	**101,319**

(a) Primarily includes the expense associated with share-based compensation related to the equity and cash payment granted to our CEO. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Share-Based Compensation".

	For the Year Ended December 31,		For the Six Months Ended June 30,	
Adjusted EBITDA Reconciliation for Brazil	**2007[1]**	**2008**	**2008**	**2009**
		(in thousands of U.S. dollars)	**(unaudited)**	
Operating income	U.S.$30,643	U.S.$111,318	U.S.$48,938	U.S.$44,472
Plus:				
Depreciation and amortization	6,891	14,828	8,198	5,525
Minus/Plus:				
Other operating income/expenses classified as non-cash	583	4,687	4,688	577
Minus/Plus:				
Other operating income/expenses classified as non-recurring	–	1,956	2,003	(105)
Adjusted EBITDA	**38,117**	**132,789**	**63,827**	**50,469**

Adjusted EBITDA Reconciliation for the Caribbean Division	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
	(in thousands of U.S. dollars)		(unaudited)	
Operating income	U.S.$8,466	U.S.$9,100	U.S.$7,637	U.S.$ 19
Plus:				
Depreciation and amortization	4,361	10,301	5,078	5,089
Minus/Plus:				
Other operating income/expenses classified as non-cash	271	–	–	46
Minus/Plus:				
Other operating income/expenses classified as non-recurring	–	(330)	–	–
Adjusted EBITDA	**13,098**	**19,071**	**12,715**	**5,154**

Adjusted EBITDA Reconciliation for NOLAD	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
	(in thousands of U.S. dollars)		(unaudited)	
Operating income	U.S.$8,031	U.S.$7,987	U.S.$8,655	U.S.$(7,088)
Plus:				
Depreciation and amortization	3,174	9,117	4,516	5,491
Minus/Plus:				
Other operating income/expenses classified as non-cash	–	–	–	563
Minus/Plus:				
Other operating income/expenses classified as non-recurring	–	(97)	(72)	(400)
Adjusted EBITDA	**11,205**	**17,007**	**13,099**	**(1,434)**

Adjusted EBITDA Reconciliation for SLAD	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
	(in thousands of U.S. dollars)		(unaudited)	
Operating income	U.S.$30,129	U.S.$114,411	U.S.$48,867	U.S.$36,903
Plus:				
Depreciation and amortization	3,837	15,250	7,110	9,545
Minus/Plus:				
Other operating income/expenses classified as non-cash	689	457	192	221
Minus/Plus:				
Other operating income/expenses classified as non-recurring	–	(2,516)	(189)	158
Adjusted EBITDA	**34,655**	**127,602**	**55,980**	**46,827**

Adjusted EBITDA Reconciliation for Corporate	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2007[1]	2008	2008	2009
	(in thousands of U.S. dollars)			
			(unaudited)	
Operating loss	U.S.$ (6,178)	U.S.$ (20,508)	U.S.$ (10,889)	U.S.$ (206)
Plus:				
Depreciation and amortization	–	–	–	–
Minus/Plus:				
Other operating income/expenses classified as non-cash	–	–	–	–
Minus/Plus:				
Other operating income/expenses classified as non-recurring[a]	–	12,127	7,145	509
Adjusted EBITDA	**(6,178)**	**(8,381)**	**(3,744)**	**303**

(a) Primarily includes the expense associated with share-based compensation related to the equity and cash payment granted to our CEO. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Share-Based Compensation".

(4) Adjusted EBITDA margin is Adjusted EBITDA divided by total revenues, expressed as a percentage.

(5) Net debt means the consolidated amount of our short-term debt and long-term debt (including the credit agreement and capital lease and hedging obligations) minus the consolidated amount of our cash and cash equivalents.

(6) Net debt/Adjusted EBITDA ratio is the ratio of our net debt as of the end of the applicable period divided by our Adjusted EBITDA for the last twelve months ended as of the end of the applicable period which includes eleven months of operations for the period ended June 30, 2008, as our operations started on August 3, 2007, the date of the Acquisition.

(7) Total debt/Adjusted EBITDA ratio is the ratio of our total debt as of the end of the applicable period divided by our Adjusted EBITDA for the last twelve months ended as of the end of the applicable period which includes eleven months of operations for the period ended June 30, 2008, as our operations started on August 3, 2007, the date of the Acquisition. Total debt means the consolidated amount of our short-term and long-term debt (including the credit agreement and capital lease and hedging obligations).

(8) Adjusted EBITDA/Net financial expenses ratio is the ratio of our Adjusted EBITDA for the last twelve months ended as of the end of the applicable period divided by our net financial expenses for the last twelve months ended as of the end of the applicable period which includes eleven months of operations for the period ended June 30, 2008, as our operations started on August 3, 2007, the date of the Acquisition. Net financial expenses means "Net interest expense" plus "Loss on cross-currency swap agreements" as disclosed in our consolidated financial statements.

(9) Total debt/capitalization ratio is the ratio of our total debt as of the end of the applicable period divided by our capitalization as of the end of the applicable period. Capitalization has been defined Total Debt plus shareholders' equity.

(10) Working capital equals current assets minus current liabilities.

(11) Includes property and equipment expenditures and purchase of restaurant businesses.

(12) Systemwide comparable sales growth refers to the change in restaurant sales in one period from a comparable period for restaurants that have been open for thirteen months or longer. Systemwide comparable sales growth are provided and are analyzed on a constant currency basis, which means they are calculated using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from these trend analyses. We believe these constant currency measures provide a more meaningful analysis of our business by identifying the underlying business trend, without distortion from the effect of foreign currency movements.

(13) Systemwide comparable sales growth, systemwide average restaurant sales and systemwide sales growth are presented on a systemwide basis, which means they include sales by Company-operated restaurants and franchised restaurants. While sales by franchisees are not recorded as revenues by us, management believes the information is important in understanding our financial performance because these sales are the basis on which we calculate and record franchised revenues and are indicative of the financial health of our franchisee base.

(14) Systemwide average restaurant sales is calculated by dividing the sales for the relevant period by the arithmetic mean of the number of restaurants at the beginning and end of such period.

(15) Systemwide sales growth refers to the change in sales by all restaurants, whether operated by us or by franchisees, from one period to another.

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

The following discussion of our financial condition and results of operations should be read in conjunction with (i) our audited consolidated financial statements as of and for the years ended December 31, 2007 and 2008 and (ii) our unaudited consolidated interim financial statements as of and for the six months ended June 30, 2008 and 2009, and the notes thereto, included elsewhere in this offering memorandum, as well as the information presented under "Presentation of Financial and Other Information" and "Selected Financial and Other Information."

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors."

Overview

We are the world's largest McDonald's franchisee in terms of systemwide sales and number of restaurants, as of June 30, 2009, operating the largest QSR chain in Latin America and the Caribbean. As of June 30, 2009, we operated or franchised 1,660 McDonald's-branded restaurants, which represented 5.2% of McDonald's total restaurants and 6.4% of McDonald's total franchised restaurants. In 2008 we paid U.S.$119.0 million in royalties to McDonald's. We have the exclusive right to own, operate and grant franchises of McDonald's restaurants in 19 countries and territories in Latin America and the Caribbean, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guyana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, St. Crois, St. Thomas, Uruguay and Venezuela.

We received exclusive master franchising rights from McDonald's for the Territories in August 2007 when we acquired the operations of McDonald's in the Territories. We directly operate or franchise McDonald's restaurants in Latin America and the Caribbean pursuant to the MFA and a separate, but substantially identical, Brazilian MFA entered into between us and McDonald's. As of June 30, 2009, of our total 1,660 McDonald's-branded restaurants in the Territories, 1,203 (or 72%) were Company-operated restaurants and 457 (or 28%) were franchised restaurants. Under our conventional franchise arrangements, franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and décor of their restaurant businesses, and by reinvesting in the business over time. We own the land and building or secure long-term leases for both Company-operated and franchised restaurant sites. This maintains long-term occupancy rights, helps control related costs and assists in alignment with franchisees.

Our operations are divided into four geographical divisions: Brazil, SLAD, the Caribbean division and NOLAD. For fiscal year 2008, Brazil, SLAD, the Caribbean division and NOLAD accounted for 47.5%, 34.7%, 8.9% and 8.9% of our total revenues, respectively, and for the six months ended June 30, 2009 they accounted for 41.8%, 39.6%, 9.6% and 9.1% of our total revenues, respectively. Some of these geographical divisions are also sub-divided into regions, which are ultimately comprised of each of the territories of the Latin American and Caribbean regions that are part of the MFAs. Of the total number of restaurants as of June 30, 2009, 569 were located in Brazil, 380 were located in Mexico, 188 were located in Argentina, 135 were located in Venezuela and 114 were located in Puerto Rico. Collectively, 84% of our restaurants were located in these five countries. These restaurants represented 83.4% of our total revenues for the six months ended June 30, 2009.

We generate revenues primarily from two sources: sales by Company-operated restaurants and franchised restaurant revenues, primarily consisting of rental income that typically is based on the greater of a flat fee or a percentage of sales reported by franchised restaurants. This rent, along with occupancy and operating rights, is stipulated in franchise agreements. These agreements typically have a 20-year term but may be shorter if necessary to match the term of the real estate lease. Approximately 28% of our restaurants are franchised. Both in 2008 and for the six months ended June 30, 2009, sales by Company-operated restaurants and revenues from franchised restaurants represented 95% and 5% of our total revenues, respectively.

Our sales are heavily influenced by brand advertising, menu selection and initiatives to improve restaurant operations. Sales are also affected by the timing of restaurant openings and closures. We do not record sales from our franchised restaurants as revenues.

Company-operated restaurants incur four types of operating costs and expenses:

- food and paper costs, which represent the costs of the products that we sell to customers in Company-operated restaurants;
- payroll and employee benefit costs, which represent the wages paid to Company-operated restaurant managers and crew, as well as the cost of benefits and training;
- occupancy and other operating expenses, which represent all other direct costs of our Company-operated restaurants, including advertising and promotional expenses, the cost of outside rent and land, building and leasehold improvement depreciation (for restaurant properties owned by us), depreciation on equipment, repairs and maintenance, insurance, restaurant operating supplies, and utilities; and
- royalty fees in the form of continuing franchise fees payable to McDonald's pursuant to the MFAs.

As average restaurant sales increase, we can leverage payroll and employee benefits costs as well as occupancy and other costs, resulting in a direct improvement in restaurant profitability.

We promote the McDonald's brand and our products by advertising in all of the Territories. Pursuant to the MFAs, we are required annually to spend at least 5% of our gross sales on advertisement and promotion ("A&P") activities. These activities are guided by our overall marketing plan, which identifies the key strategic platforms that we leverage to drive sales. Our franchisees generally are required to pay us 5% of their gross sales for the portion of advertising expenditures related to their restaurants. We account for such payments as a deduction to our advertising expenses. As a result, our advertising expenses only reflect the expenditures related to Company-operated restaurants. Advertising expenses are recorded within the "Occupancy and other operating expenses" line item in our consolidated income statement. The only exception to this policy is in Mexico, where both we and our franchisees contribute funds to a cooperative that is responsible for A&P activities for Mexico.

Franchised restaurant expenses include, as applicable, the costs of depreciating and maintaining the land and building upon which franchised restaurants are located or the cost of leasing such property. A significant portion of our leases establish that rent payments are based on the greater of a flat fee or a percentage of such restaurant's sales.

Selling, general and administrative expenses include the costs of overhead, including salaries and facilities, travel expenses, depreciation of office equipment, office buildings and vehicles, amortization of intangible assets, occupancy costs, professional services and the cost of field management for Company-operated and franchised restaurants, among others. The most significant portion of our corporate overhead costs is recorded in our Argentine subsidiary, where our headquarters are located. Less significant portions are recorded in our Brazilian, Mexican and Uruguayan subsidiaries in accordance with the location of some of our corporate functions.

Other operating expenses, net, include gains and losses on asset and business disposals, impairment charges, rental income and depreciation expense of excess properties, results and depreciation from distribution centers, and other miscellaneous items.

Key Business Measures

We track our results of operations and manage our business by using three key business measures: comparable sales growth, average restaurant sales and sales growth. Systemwide results are driven primarily by our Company-operated restaurants as approximately 72% of our systemwide restaurants are Company-operated. Systemwide data represents measures for both Company-operated and franchised restaurants. While sales by franchisees are not recorded as revenues by us, management believes the information is important in understanding our financial performance because these sales are the basis on which we calculate and record franchised restaurant revenues and are indicative of the financial health of our franchisee base. Unless otherwise stated, comparable sales growth, average restaurant sales and sales growth are presented on a systemwide basis.

Comparable Sales

Comparable sales is a key performance indicator used within the retail industry and is indicative of the success of our initiatives as well as local economic and consumer trends. Increases or decreases in comparable sales represent the percent change in sales from the same period in the prior year for all restaurants in operation for at least thirteen months, including those temporarily closed. Some of the reasons restaurants may be temporarily closed include reimaging or remodeling, rebuilding, road construction and natural disasters. We report on a calendar basis and therefore the comparability of the same month, quarter and year with the corresponding period of the prior year is impacted by the mix of days. The number of weekdays, weekend days and timing of holidays in a period can have a positive or negative impact on comparable sales. We refer to these impacts as calendar shift/trading day adjustments. These impacts vary geographically due to consumer spending patterns and have the greatest effect on monthly comparable sales while the annual impacts are typically minimal. In 2008 and the six-month period ended June 30, 2008, there was an additional full day of sales due to the leap year.

Comparable sales are provided and are analyzed on a constant currency basis, which means they are calculated using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from the analysis. We believe these constant currency measures provide a more meaningful analysis of our business by identifying the underlying business trend, without distortion from the effect of foreign currency movements.

Company-operated comparable sales growth refers to comparable sales growth for Company-operated restaurants and franchised comparable sales growth refers to comparable sales growth for franchised restaurants. We believe comparable sales growth is a key indicator of our performance, as influenced by our strategic initiatives and those of our competitors.

Average Restaurant Sales

Average restaurant sales, or ARS, is an important measure of the financial performance of our systemwide restaurants and changes in the overall direction and trends of sales. ARS is influenced mostly by comparable sales performance and restaurant openings and closures, and also includes the impact of movements in foreign currency exchange rates. ARS is calculated by dividing the sales for the relevant period by the arithmetic mean of the number of restaurants at the beginning and end of such period.

Sales Growth

Sales growth refers to the change in sales by all restaurants, whether operated by us or by franchisees, from one period to another.

We present sales growth in both nominal terms and on a constant currency basis, which means the latter is calculated using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from the analysis.

Factors Affecting Comparability of Results

The Acquisition

Our results of operations for fiscal years 2007 and 2008 are not directly comparable because of the Acquisition. Consequently, our results of operations for fiscal year 2007 only include our results of operations from August 3, 2007 to December 31, 2007, whereas our results of operations for fiscal year 2008 include our results of operations for the full year; however, we have included below unaudited pro forma financial information for fiscal year 2007.

Seasonality

Our sales and revenues are generally greater in the second half of the year than in the first half. Although the impact on our results of operations is relatively small, such impact is due to increased consumption of our products during the winter and summer holiday season, affecting July and December, respectively.

Foreign Currency Translation

The financial statements of our operating subsidiaries are translated in accordance with SFAS No. 52 "Foreign Currency Translation." The functional currencies for our subsidiaries are the local currencies of the countries in which we conduct our operations. Assets and liabilities of our foreign operating subsidiaries are translated into U.S. dollars at the balance sheet date exchange rates, and revenues and expenses are translated at average rates prevailing during the periods. Translation adjustments are included in the "Accumulated other comprehensive (loss) income" component of shareholders' equity. We record foreign currency exchange results related to assets and liabilities denominated in currencies other than our functional currencies in our consolidated income statement.

As discussed in Note 3 to our consolidated financial statements, there are currency restrictions in place in Venezuela that limit our ability to physically convert local currency to U.S. dollars. Due to currency controls, there is no free market currency exchange rate. Therefore, in preparing our consolidated financial statements, we use the exchange rate established by the Venezuelan government to translate the local currency financial statements into our reporting currency. If the Venezuelan local currency resumes trading in an open market, we believe the exchange rate may be significantly greater than the rate set by the government. A significant devaluation of the local currency would result in a decline in our revenues and, to a lesser extent, our operating income when reported in U.S. dollars.

In addition, inflation in Venezuela has continued to increase over the past few years and it is probable that Venezuela will be designated as a highly inflationary economy during 2009. Gains and losses resulting from the translation of the financial statements of subsidiaries operating in highly inflationary economies are recorded in earnings. If Venezuela is designated as a highly inflationary economy and/or there is a devaluation of the official rate, our earnings would be negatively impacted.

In addition, although we use the official exchange rate for translation purposes, many of our foreign currency transactions in Venezuela are executed through a bond-based exchange process, under which we purchase bonds issued by the Venezuelan government using Venezuelan currency (the *bolívar fuerte*) and then immediately exchange those bonds outside Venezuela for bonds denominated in U.S. dollars. These transactions generally result in foreign exchange losses which are recognized under the "Foreign currency exchange loss" line item of our consolidated income statement. In addition, the effect of other exchange rate fluctuations on foreign currency denominated assets and liabilities is also recorded in this line item. See "— Quantitative and Qualitative Disclosures about Market Risk — Foreign Currency Exchange Rate Risk." We have historically been able to utilize this bond-based exchange process when we have needed to.

Outlook for the Remainder of 2009

Our sales have shown signs of recovery during the beginning of the second half of 2009. We believe this is the result of both a stronger macroeconomic environment and measures we have taken to adapt to a more value-oriented consumer base. We expect this positive trend to continue during the second half of the year as a greater number of markets rebound from the recessionary environment and promotional campaigns begin having an effect on our sales. We anticipate regional currencies will remain at stronger valuations against the U.S. dollar than those that prevailed in the first half of 2009. In addition, in most of our markets we expect inflation to remain at relatively low rates since capacity utilization and employment levels have yet to recover to pre-recession levels, thus helping us implement a cost containment policy. We believe that capital expenditures in 2009 will be lower than in 2008.

The information regarding our anticipated financial performance for the second half of 2009 is based on preliminary information available to us and remains subject to change. Our actual results may not be consistent with our anticipated results.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related

disclosures. On an ongoing basis, we evaluate our estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under various assumptions or conditions.

We review our financial reporting and disclosure practices and accounting policies quarterly to ensure that they provide accurate and transparent information relative to the current economic and business environment. We believe that of our significant accounting policies, the following involve a higher degree of judgment and/or complexity:

Depreciation of Property and Equipment

Property and equipment are depreciated on a straight-line basis over their useful lives based on management's estimates of the period over which the assets will generate revenue (not to exceed the lease term plus renewal options for leased property). The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. We periodically review these lives relative to physical factors, economic factors and industry trends. If there are changes in the planned use of property and equipment, or if technological changes occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense or write-offs in future periods.

Impairment of Long-Lived Assets and Goodwill

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill is reviewed for impairment annually in the fourth quarter. In assessing the recoverability of our long-lived assets and goodwill, we consider changes in economic conditions and make assumptions regarding estimated future cash flows and other factors. Estimates of future cash flows are highly subjective judgments based on our experience and knowledge of our operations. These estimates can be significantly impacted by many factors, including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. A key assumption impacting estimated future cash flows is the estimated change in comparable sales. If our estimates or underlying assumptions change in the future, we may be required to record impairment charges.

Share-Based Compensation

We have implemented a phantom equity plan to reward certain employees for increases in the market value of our stock subsequent to the date of grant. In accordance with this plan, we grant units (called "CADs") to certain employees, pursuant to which the employees are entitled to receive, when vested, a payment equal to the appreciation in market value over the base value. The awards vest over a five-year period as follows: 40% at the second anniversary of the date of grant and 20% at each of the following three years.

In addition, we entered into an agreement with our CEO pursuant to which he will be entitled to receive a cash payment equal to 1% of the fair market value of the Company upon the occurrence of certain events, including an initial public offering or a change of control. The payment vests over a four-year period (25% per year), subject to his continued employment, as from August 3, 2007.

We recognize compensation expense related to these benefits as the services required to earn these benefits are rendered. The accrued liability is remeasured at the end of each reporting period until settlement, based on the estimated fair value of the Company. As we are not a public company, the estimated fair market value is determined based on a formula and certain assumptions, as established in the plan.

Accounting for Income Taxes

We record a valuation allowance to reduce the carrying value of deferred tax assets if it is more likely than not that some portion or all of our deferred assets will not be realized. While we have considered future taxable income and ongoing prudent and feasible tax strategies in assessing the need for the valuation allowance, if these estimates

and assumptions change in the future, we may be required to adjust the valuation allowance. This could result in a charge to, or an increase in, income in the period such determination is made.

Provision for Contingencies

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. We accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, our estimates of the outcomes of these matters and our lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs.

Accounting for Derivative Financial Instruments

From time to time, we utilize certain hedge instruments to manage our interest rate and foreign currency rate exposures. As required by U.S. GAAP, we recognize all derivatives as either assets or liabilities in our consolidated balance sheet and measure those instruments at fair value. Additionally, fair value adjustments affect either stockholders' equity as accumulated other comprehensive income (loss) or net income (loss) depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. Fair market value is based on valuations provided by our counterparties, which are classified as level 3 in the fair value hierarchy prescribed by U.S. GAAP since they utilize significant unobservable inputs.

Results of Operations

The following table presents our consolidated results of operations for the periods indicated:

Six-Month Period Ended June 30, 2009 Compared to the Six-Month Period Ended June 30, 2008

	For the Six Months Ended June 30,		% Increase (Decrease)
	2008	2009	
	(in thousands of U.S. dollars)		
REVENUES			
Sales by Company-operated restaurants	U.S.$1,200,388	U.S.$1,111,383	(7.4)%
Revenues from franchised restaurants	60,431	56,614	(6.3)
Total revenues	**1,260,819**	**1,167,997**	**(7.4)**
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses:			
Food and paper	(438,925)	(419,830)	(4.4)
Payroll and employee benefits	(217,024)	(219,665)	1.2
Occupancy and other operating expenses	(321,402)	(294,999)	(8.2)
Royalty fees	(57,433)	(53,090)	(7.6)
Franchised restaurants — occupancy expenses	(20,091)	(18,815)	(6.4)
Selling, general and administrative expenses	(86,295)	(82,890)	(3.9)
Other operating expenses, net	(16,441)	(4,608)	(72.0)
Total operating costs and expenses	**(1,157,611)**	**(1,093,897)**	**(5.5)**
Operating income	**103,208**	**74,100**	**(28.2)**
Net interest expense	(12,933)	(17,590)	36.0
Loss on cross-currency swap agreements	–	(25,643)	100.00
Foreign currency exchange (loss) gain	12,392	(5,888)	(147.5)
Other non-operating expenses, net	(527)	(477)	(9.5)
Income before income taxes	**102,140**	**24,502**	**(76.0)**
Income tax expense	(28,438)	(16,270)	(42.8)
Net income	**73,702**	**8,232**	**(88.8)**
Less: Net income attributable to non-controlling interests	(1,023)	(170)	(83.4)
Net income attributable to Arcos Dorados B.V	**72,679**	**8,062**	**(88.9)**

Key Business Measures

We track our results of operations and manage our business by using three key business measures: comparable sales growth, average restaurant sales and sales growth. Unless otherwise stated, comparable sales growth, average restaurant sales and sales growth are presented on a systemwide basis.

Comparable Sales

	For the Six Months Ended June 30, 2009
Arcos Dorados	
Systemwide comparable sales growth	5.3%
Company-operated comparable sales growth	5.5
Franchised comparable sales growth	4.7
Systemwide Comparable Sales Growth by Division	
Brazil	1.3%
Caribbean division	2.6
NOLAD	(6.5)
SLAD	16.5
Company-operated Comparable Sales Growth by Division	
Brazil	0.9%
Caribbean division	1.5
NOLAD	(4.7)
SLAD	15.7
Franchised Comparable Sales Growth by Division	
Brazil	1.9%
Caribbean division	5.1
NOLAD	(8.8)
SLAD	18.5

Our comparable sales growth on a consolidated basis in the six months ended June 30, 2009 was driven by our continuing focus on value menu items and price management to sustain volume in a recessionary environment. In some markets, however, volume was negatively affected by particular events such as the swine flu epidemic in Mexico, Argentina and Chile and the general strikes in Guadeloupe and Martinique.

Average Restaurant Sales

	For the Six Months Ended June 30,	
	2008	**2009**
	(in thousands of U.S. dollars)	
Systemwide Average Restaurant Sales	U.S.$1,075	U.S.$955
Company-operated Average Restaurant Sales	1,091	941
Franchised Average Restaurant Sales	1,038	989

Our ARS deterioration during the six months ended June 30, 2009 was primarily due to the devaluation of most regional local currencies against the U.S. dollar despite positive comparable sales growth of 5.3%.

Sales Growth

	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2009
		(in constant currency)
Brazil	(20.0)%	3.5%
Caribbean division	1.6	4.5
NOLAD	(21.0)	(3.2)
SLAD	11.7	20.2
Total Systemwide Sales Growth	**(8.1)**	**8.0**

Sales growth decreased (in nominal terms) during the six months ended June 30, 2009, as comparable sales growth and continuing restaurant openings could not offset considerable local currency devaluations. There were 21 net restaurant openings during the six months ended June 30, 2009. We had 1,203 Company-operated restaurants and 457 franchised restaurants as of June 30, 2009, compared to 1,102 Company-operated restaurants and 495 franchised restaurants as of June 30, 2008.

Revenues

	For the Six-Months Ended June 30,		% Increase (Decrease)
	2008	2009	
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants			
Brazil	U.S.$593,371	U.S.$471,059	(20.6)%
Caribbean division	107,841	106,638	(1.1)
NOLAD	102,208	99,492	(2.7)
SLAD	396,968	434,194	9.4
Total	**1,200,388**	**1,111,383**	**(7.4)**
Revenues from franchised restaurants			
Brazil	U.S.$19,972	U.S.$16,697	(16.4)%
Caribbean division	5,833	5,319	(8.8)
NOLAD	12,390	6,782	(45.3)
SLAD	22,236	27,816	25.1
Total	**60,431**	**56,614**	**(6.3)**
Total Revenues			
Brazil	U.S.$613,343	U.S.$487,756	(20.5)%
Caribbean division	113,674	111,957	(1.5)
NOLAD	114,598	106,274	(7.3)
SLAD	419,204	462,010	10.2
Total	**1,260,819**	**1,167,997**	**(7.4)**

Sales by Company-Operated Restaurants

Total sales by Company-operated restaurants decreased by U.S.$89.0 million, or 7.4%, from U.S.$1,200.4 million in the six months ended June 30, 2008 to U.S.$1,111.4 million in the six months ended June 30, 2009. The devaluation

of local currencies was the main cause of the decrease in sales. In addition, one-time events such as the swine flu epidemic in Mexico, Argentina and Chile and general strikes in Guadeloupe and Martinique had a negative impact in those regions. However, Company-operated comparable sales, stated in constant currency, were 5.5% higher than in the same period of 2008. In addition, we had 47 net restaurant openings between June 30, 2008 and June 30, 2009.

In Brazil, sales by Company-operated restaurants decreased by U.S.$122.3 million, or 20.6%, to U.S.$471.1 million, primarily as a result of the local currency depreciation of 29%, which was slightly offset by comparable sales growth of 0.9% and nine net restaurant openings. This comparable sales growth was the result of increases in average prices that more than offset lower comparable sales volumes caused by the decline in economic activity in the first half of 2009.

In the Caribbean division, sales by Company-operated restaurants decreased by U.S.$1.2 million, or 1.1%, to U.S.$106.6 million due primarily to a decrease in volumes resulting from the general strikes in Martinique and Guadeloupe during February and March of 2009. In addition, the value of the euro against the U.S. dollar was 15% lower in the first half of 2009, as compared to the first half of 2008. Comparable sales, however, increased by 1.5% due to stronger sales from our restaurants in Puerto Rico, where Happy Meal sales increased and our promotional campaigns were successful in increasing volume and average prices. In addition, we had two net openings between June 30, 3008 and June 30, 2009.

In NOLAD, sales by Company-operated restaurants decreased by U.S.$2.7 million, or 2.7%, to U.S.$99.5 million in spite of the conversion of 63 franchised restaurants in Mexico to Company-operated restaurants that represented U.S.$11.6 million in additional sales and 15 net restaurant openings. Lower sales were due to a comparable sales decrease of 4.7% and a 30% and 13% devaluation of local currencies in Mexico and Costa Rica, respectively. The comparable sales decrease is mostly explained by the swine flu outbreak in Mexico, resulting in lower volumes due to the total or partial closing of most of our restaurants in Mexico for several weeks in April and May of 2009.

In SLAD, sales by Company-operated restaurants increased by U.S.$37.2 million, or 9.4%, to U.S.$434.2 million due primarily to a comparable sales increase of 15.7%. In addition, we had 21 net restaurant openings. Growth in comparable sales came primarily from Venezuela, where we have been able to increase prices at the same rate as or higher than inflation. Price increases were mitigated by the devaluation of local currencies against the U.S. dollar of 26% in Chile and Colombia, 16% in Argentina and Uruguay, and 9% in Peru.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants decreased by U.S.$3.8 million, or 6.3%, from U.S.$60.4 million in the six months ended June 30, 2008 to U.S.$56.6 million in the six months ended June 30, 2009. In spite of positive comparable sales and 14 net restaurant openings between June 30, 2008 and June 30, 2009, this decrease was the result of local currency devaluations and the conversion of 63 franchised restaurants in Mexico to Company-operated restaurants.

In Brazil, revenues from franchised restaurants decreased by U.S.$3.3 million, or 16.4%, to U.S.$16.7 million primarily as a result of the local currency devaluation of 29% compared to the U.S. dollar, which was slightly offset by comparable sales growth of 1.9% and a significant decrease in temporary reductions in rent allowed to some franchisees that had been previously granted by McDonald’s.

In the Caribbean division, revenues from franchised restaurants decreased by U.S.$0.5 million, or 8.8%, to U.S.$5.3 million mostly because of a charge related to our franchisee in St. Crois.

In NOLAD, revenues from franchised restaurants decreased by U.S.$5.6 million, or 45.3%, to U.S.$6.8 million mostly due to the conversion of 63 franchised restaurants in Mexico to Company-operated restaurants in addition to the 8.8% decrease in comparable sales and a devaluation of local currencies against the U.S. dollar of 30% in Mexico and 13% in Costa Rica.

In SLAD, revenues from franchised restaurants increased by U.S.$5.6 million, or 25.1%, to U.S.$27.8 million mostly due to 18.5% growth in comparable sales, partially offset by the devaluation of local currencies against the U.S. dollar, including devaluations of 26% in Chile and Colombia, 16% in Argentina and Uruguay, and 9% in Peru.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs decreased by U.S.$19.1 million, or 4.4%, to U.S.$419.8 million in the six month period ended June 30, 2009, as compared to the same period in 2008. As a percentage of our total sales by Company-operated restaurants, food and paper costs increased 1.2 percentage points to 37.8%.

In Brazil, food and paper costs decreased by U.S.$45.6 million, or 21.4%, to U.S.$167.8 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased 0.3 percentage points to 35.6% due to a reduction in the price of beef.

In the Caribbean division, food and paper costs increased by U.S.$2.2 million, or 6.1%, to U.S.$38.0 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased 2.4 percentage points to 35.7% because of inventory losses in Guadeloupe and Martinique during the general strikes. In addition, we experienced an increase in the cost of beef and chicken in Puerto Rico.

In NOLAD, food and paper costs increased by U.S.$2.6 million, or 6.5%, to U.S.$43.0 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased 3.7 percentage points to 43.3% as a consequence of the decrease in volume caused by the swine flu epidemic in Mexico. In addition, in Mexico, we implemented a promotional strategy designed to maintain sales volume through a product mix with lower percentage margins.

In SLAD, food and paper costs increased by U.S.$21.7 million, or 14.5%, to U.S.$171.0 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased 1.8 percentage points to 39.4% because of the negative effect of an increase in the number of items in Venezuela that we were not able to purchase at the official exchange rate.

Payroll and Employee Benefits

Our total payroll and employee benefits costs increased by U.S.$2.6 million, or 1.2%, to U.S.$219.7 million in the six month period ended June 30, 2009, as compared to the same period in 2008. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs increased 1.7 percentage points to 19.8%. This increase can be mostly attributed to wage inflation in several markets that was higher than comparable sales, and to a decrease in sales volume caused by one-time events such the swine flu epidemic in Mexico, Argentina and Chile and general strikes in Guadeloupe and Martinique.

In Brazil, payroll and employee benefits costs decreased by U.S.$13.1 million, or 12.6%, to U.S.$90.6 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 1.8 percentage points to 19.2% mostly because wages increased more than our average prices.

In the Caribbean division, payroll and employee benefits costs increased by U.S.$1.7 million, or 6.2%, to U.S.$29.5 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 1.9 percentage points to 27.7% mainly due to minimum wage increases in Puerto Rico and wage increases granted to employees in Guadeloupe and Martinique after the general strike.

In NOLAD, payroll and employee benefits costs increased by U.S.$1.6 million, or 10.3%, to U.S.$16.9 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 2.0 percentage points to 17.0% because, even though volume decreased due to the swine flu epidemic in Mexico, we maintained fully staffed restaurants. In addition, to improve service quality, we increased the number of crew employees in the last quarter of 2008.

In SLAD, payroll and employee benefits costs increased by U.S.$12.5 million, or 17.7%, to U.S.$82.7 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 1.4 percentage points to 19.0% mostly due to changes in labor regulations in several markets that increased labor costs.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses decreased by U.S.$26.4 million, or 8.2%, to U.S.$295.0 million in the six month period ended June 30, 2009, as compared to the same period in 2008, in line with the decrease in sales by Company-operated restaurants. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.2 percentage points to 26.5%.

In Brazil, occupancy and other operating expenses decreased by U.S.$44.5 million, or 26.0%, to U.S.$126.7 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 2.0 percentage points to 26.9% mainly as a result of lower use of operating supplies and less advertising.

In the Caribbean division, occupancy and other operating expenses decreased by U.S.$0.2 million, or 0.7 percentage points, to U.S.$27.1 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses remained essentially unchanged at 25.5% in spite of the negative effect on sales of strikes in Guadeloupe and Martinique.

In NOLAD, occupancy and other operating expenses increased by U.S.$4.8 million, or 17.5%, to U.S.$32.0 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 5.5 percentage points to 32.2% as a result of lower sales volumes due to the swine flu epidemic in Mexico, and higher advertising and maintenance expenses.

In SLAD, occupancy and other operating expenses increased by U.S.$13.5 million, or 14.2%, to U.S.$109.1 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 1.1 percentage points to 25.1%. This increase was mainly a result of higher maintenance and repair and outside services expenses due to the effect of local currency devaluation on the imported portion of such expenses.

Royalty Fees

Our total royalty fees decreased by U.S.$4.3 million, or 7.6%, to U.S.$53.1 million in the six month period ended June 30, 2009, as compared to the same period in 2008, in line with the decrease in our sales by Company-operated restaurants.

Franchised Restaurants — Occupancy Expenses

Occupancy expenses from franchised restaurants decreased by U.S.$1.3 million, or 6.4%, to U.S.$18.8 million in the six month period ended June 30, 2009, as compared to the same period in 2008, in line with the decrease in sales from franchised restaurants, which were also affected by the conversion of 90 franchised restaurants in Mexico to Company-operated restaurants.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by U.S.$3.4 million, or 3.9%, to U.S.$82.9 million in the six-month period ended June 30, 2009, as compared to the same period in 2008. This decrease is explained by the devaluation of local currencies. Without this effect there would have been an increase in selling, general and administrative expenses of U.S.$2.3 million as a consequence of the hiring of new corporate staff in order to cover functions previously handled for us by McDonald's.

Other Operating Expenses, Net

Other operating expenses, net decreased by U.S.$11.8 million, or 72.0%, to U.S.$4.6 million in the six-month period ended June 30, 2009, as compared to the same period in 2008. The decrease was primarily attributable to lower write offs in Brazil due to fewer restaurant closings, partially offset by lower rental income for properties that are not part of our main business and gains on the sale of property and equipment.

Operating Income

	For the Six Months Ended June 30,		% Increase (Decrease)
	2008	2009	
	(in thousands of U.S. dollars)		
Brazil	U.S.$48,938	U.S.$44,472	(9.1)%
Caribbean	7,637	19	(99.8)
NOLAD	8,655	(7,088)	(181.9)
SLAD	48,867	36,903	(24.5)
Corporate	(10,889)	(206)	(98.1)
TOTAL	**103,208**	**74,100**	**(28.2)**

Operating income decreased by U.S.$29.1 million, or 28.2%, to U.S.$74.1 million in the six-month period ended June 30, 2009, as compared to the same period in 2008.

Net Interest Expense

Net interest expense increased by U.S.$4.7 million during the six-month period ended June 30, 2009, as compared to the same period in 2008, primarily due to an increase in the interest rate paid on our indebtedness under the credit agreement and an increase in the amount of our short term indebtedness. This was partially offset by lower amortization of deferred financing costs incurred in 2009 in connection with the credit agreement than those incurred in 2008 in connection with the bridge loan. The interest expense to average outstanding debt ratio under the credit agreement for the six-month periods ended June 30, 2009 and June 30, 2008 were 6.6% and 4.1%, respectively.

Loss on Cross-Currency Swap Agreements

Loss on cross-currency swap agreements was U.S.$25.6 million during the six-month period ended June 30, 2009, as compared to none for the same period in 2008. Under the credit agreement, we are required to hedge 57% of our currency exposure from the credit agreement related to our generation of cash flows in Brazilian *reais* (equivalent to U.S.$200 million). In December 2008, January 2009 and March 2009, we entered into cross-currency interest rate swap agreements to hedge a portion of our debt under the credit agreement (U.S.$200 million at LIBOR) to a Brazilian *real*-denominated fixed-rate debt (R$466.2 million at an average fixed rate of 11.66%). The notional amounts amortize over the life of the credit agreement, maturing on November 10, 2013. These swap agreements represent an economic hedge over our interest rate and foreign currency exposure under the credit agreement. The swap agreements are carried at fair market value in our consolidated balance sheet with changes reported in earnings.

Foreign Currency Exchange (Loss) Gain

Foreign currency exchange results decreased by U.S.$18.3 million, or 148%, from a gain of U.S.$12.4 million in the six-month period ended June 30, 2008 to a loss of U.S.$5.9 million in the six-month period ended June 30, 2009. Our purchases of U.S. dollars as part of a bond-based exchange process in Venezuela generated an increase in foreign currency losses of U.S.$19.5 million, from a loss of U.S.$9.9 million in the six-month period ended June 30, 2008 to a loss of U.S.$29.4 million in the six-month period ended June 30, 2009, while the effect of other exchange rate fluctuations on foreign currency denominated assets and liabilities represented a U.S.$1.2 million gain.

Other Non-Operating Expenses, Net

Other non-operating expenses, net remained practically unchanged at U.S.$0.5 million during the six-month period ended June 30, 2009, as compared to the same period in 2008.

Income Tax Expense

Income tax expense decreased by U.S.$12.2 million, or 42.8%, from U.S.$28.4 million in the six-month period ended June 30, 2008 to U.S.$16.3 million in the same period of 2009. However, our effective tax rate increased by 38.6 percentage points to 66.4% in the six-month period ended June 30, 2009, as compared to the same period in 2008 primarily due to an increase of the valuation allowance of tax loss carryforwards of our holding company. Although our income before income taxes decreased in 2009 as a result of losses in some of our subsidiaries (such as in Argentina and Mexico), we are required to pay certain minimum taxes in many of the countries in which we operate.

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests was a loss that decreased by U.S.$0.9 million, or 83.4%, to U.S.$0.2 million in the six-month period ended June 30, 2009, as compared to the same period in 2008.

Net Income Attributable to Arcos Dorados B.V.

As a result of the foregoing, net income attributable to Arcos Dorados B.V. decreased by U.S.$64.6 million, or 88.9%, to U.S.$8.1 million in the six-month period ended June 30, 2009, as compared to the same period in 2008.

Fiscal Year Ended December 31, 2008 Compared to Fiscal Year Ended December 31, 2007

The following table presents our consolidated results of operations for the periods indicated:

	For the Fiscal Year Ended December 31, 2007[1]	For the Fiscal Year Ended December 31, 2008
	(in thousands of U.S. dollars)	
REVENUES		
Sales by Company-operated restaurant	U.S.$895,429	U.S.$2,480,897
Revenues from franchised restaurants	45,910	125,945
Total revenues	**941,339**	**2,606,842**
OPERATING COSTS AND EXPENSES		
Company-operated restaurant expenses:		
Food and paper	(332,547)	(902,305)
Payroll and employee benefits	(161,871)	(461,602)
Occupancy and other operating expenses	(238,765)	(647,152)
Royalty fees	(44,878)	(118,980)
Franchised restaurants — occupancy expenses	(13,979)	(42,416)
Selling, general and administrative expenses	(71,898)	(185,984)
Other operating expenses, net	(6,310)	(26,095)
Total operating costs and expenses	**(870,248)**	**(2,384,534)**

	For the Fiscal Year Ended December 31, 2007[1]	For the Fiscal Year Ended December 31, 2008
	(in thousands of U.S. dollars)	
Operating income	**71,091**	**222,308**
Net interest expense	(13,978)	(26,272)
Loss on cross-currency swap agreements	(13,672)	(2,620)
Foreign currency exchange loss	(3,542)	(74,884)
Other non-operating (expenses) income, net	29	(1,934)
Income before income taxes	**39,928**	**116,598**
Income tax expense	(17,511)	(2,488)
Net income	**22,417**	**114,110**
Less: Net income attributable to non-controlling interest	(43)	(1,375)
Net income attributable to Arcos Dorados B.V.	**22,374**	**112,735**

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition. In light of the fact that 2007 only includes five months of operations, while 2008 represents a full year, we do not include a discussion of the results of operations between the two periods.

Liquidity and Capital Resources

Our financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness and the interest we are obligated to pay on this indebtedness;
- prevailing domestic and international interest rates, which affect our debt service requirements;
- changes in exchange rates which will impact our generation of cash flows from operations in U.S. dollars; and
- our capital expenditure requirements.

Overview

Net cash provided by operations was U.S.$198.4 million in 2008, compared to U.S.$115.9 million in fiscal year 2007, and exceeded capital expenditures (property and equipment expenditures plus purchase of restaurant businesses) by U.S.$30.5 million.

At December 31, 2008, our total financial debt was U.S.$379.9 million, consisting of U.S.$15.1 million in short-term debt, U.S.$350.0 million related to the credit agreement, U.S.$2.1 million in capital lease obligations and U.S.$12.7 million related to our cross-currency and interest rate swap agreements. At December 31, 2007, our total financial debt was U.S.$356.2 million, consisting of U.S.$350.0 million related to the credit agreement, U.S.$2.7 million in capital lease obligations and U.S.$3.6 million related to the cross-currency swap agreements then outstanding.

For the six months ended June 30, 2009, net cash provided by operations was U.S.$1.1 million, compared to U.S.$89.8 million for the same period in 2008. This decrease was mostly due to the worsening of the macroeconomic environment and the devaluation of local currencies. Our capital expenditure program and working capital needs in this period were funded with excess cash accumulated in 2008 and an increase in short-term debt.

At June 30, 2009, our total financial debt was U.S.$458.1 million, consisting of U.S.$43.8 million in short-term debt, U.S.$350.0 million related to the credit agreement, U.S.$2.3 million in capital lease obligations and U.S.$61.9 million related to the fair value of the cross-currency and interest rate swap agreements. The U.S.$28.7 million increase in our short-term debt at June 30, 2009 compared to December 31, 2008 was primarily done through our entering into working capital financings in local currency in countries such as Venezuela, Argentina, Brazil and Colombia. The new debt was allocated among subsidiaries with the objective of minimizing currency risk.

The increase in the amounts related to swap agreements is primarily due to the change in the fair value of the cross-currency swap agreements for Brazilian *reais*, caused by an appreciation of the *real*, a fluctuation in the interest rate and the downward shift in the Brazilian *real* forward rate curve.

As of June 30, 2009 we were in compliance with the covenants contained in our credit agreement and other loan agreements. Our leverage ratio, as defined by the credit agreement, was 1.85 as of June 30, 2009, compared to 1.29 as of June 30, 2008. These ratios were calculated using different definitions of the test period. In accordance with the terms of the credit agreement, the leverage ratio as of June 30, 2008 was calculated using annualized Adjusted EBITDA, obtained by multiplying the figure obtained for the six month period ended June 30, 2008 by two. The leverage ratio as of June 30, 2009 was calculated using Adjusted EBITDA for the last four consecutive quarters.

Comparative Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the Fiscal Years Ended December 31,		**Six Months Ended June 30**	
	2007[1]	**2008**	**2008**	**2009**
	(in thousands of U.S. dollars)			
Net cash provided by operating activities	U.S.$115,871	U.S.$198,363	U.S.$89,796	U.S.$1,124
Net cash used in investing activities	(731,285)	(152,166)	(35,795)	(53,303)
Net cash provided by (used in) financing activities	707,019	(14,809)	10,122	12,234
Effect of exchange rate changes on cash and cash equivalents	963	(17,986)	4,963	4,063
Increase (decrease) in cash and cash equivalents	**92,568**	**13,402**	**69,086**	**(35,882)**
Cash and cash equivalents at the end of the year/period	**92,580**	**105,982**	**161,666**	**70,100**

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.

Operating Activities

	For the Fiscal Years Ended December 31,		Six Months Ended June 30,	
	2007[(1)]	2008	2008	2009
	(in thousands of U.S. dollars)			
Net income attributable to Arcos Dorados B.V	U.S.$22,374	U.S$112,735	U.S.$72,679	U.S.$8,062
Non-cash charges and credits	40,620	51,046	15,458	27,241
Changes in working capital items	52,877	34,582	1,659	(34,179)
Net cash provided by operating activities	**115,871**	**198,363**	**89,796**	**1,124**

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.

In the six months ended June 30, 2009, net cash provided by operating activities was U.S.$1.1 million, compared to U.S.$89.8 million for the six months ended June 30, 2008. The U.S.$88.7 million decrease is primarily attributable to a lower net income plus non-cash charges of U.S.$52.8 million, mostly due to lower operating income and higher losses on purchases of U.S. dollars in Venezuela, and negative change in working capital items for U.S.$35.8 million.

Net cash provided by operating activities was U.S.$198.4 million in 2008, compared to U.S.$115.9 million in 2007. The U.S.$82.5 million increase is primarily attributable to a higher net income plus non-cash charges of U.S.$100.8 million, primarily due to the consolidation of the results of our operations for only five months in 2007 (as opposed to 2008, which reflected results for the full year), partially offset by negative changes in working capital items of U.S.$18.3 million.

Investing Activities

	For the Fiscal Years Ended December 31,		Six Months Ended June 30,	
	2007[(1)]	2008	2008	2009
	(in thousands of U.S. dollars)			
Property and equipment expenditures	U.S.$(45,174)	U.S.$(148,894)	U.S.$(42,616)	U.S.$(41,119)
Purchases of restaurant businesses	–	(18,999)	(4,292)	(7,715)
Proceeds from sale of property and equipment	1,218	5,230	3,432	1,388
Collection of receivable with McDonald's Corporation	–	15,015	15,015	–
Acquisition of subsidiaries	(686,991)	–	–	–
Others, net	(338)	(4,518)	(7,334)	(5,857)
Net cash used in investing activities	**(731,285)**	**(152,166)**	**(35,795)**	**(53,303)**

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.

In the six months ended June 30, 2009 net cash used in investing activities was U.S.$53.3 million, compared to U.S.$35.8 million for the six months ended June 30, 2008. This U.S.$17.5 million increase was primarily attributable to the partial collection of a receivable with McDonald's related to the amount paid in excess of the final purchase price in 2008 of U.S.$15.0 million.

In the six months ended June 30, 2009 we had property and equipment expenditures amounting to U.S.$41.1 million. In addition, we used U.S.$7.7 million to purchase 23 restaurants from a franchisee in Cancun, Mexico. In this period, we opened 28 restaurants and closed seven restaurants. Approximately 50% of restaurant openings and 71% of restaurant closings occurred in our five primary markets.

In the six months ended June 30, 2008 we had property and equipment expenditures amounting to U.S.$42.6 million. In this period, we opened 17 restaurants and closed 13 restaurants. About 77% of restaurant openings and 69% of restaurant closings occurred in our five primary markets.

During fiscal year 2008 net cash used in investing activities was U.S.$152.2 million compared to U.S.$731.3 million for fiscal year 2007. This decrease was primarily due to the net amount paid in connection with the Acquisition totaling U.S.$687.0 million (net of cash acquired of U.S.$33.0 million).

In 2008, we had property and equipment expenditures amounting to U.S.$148.9 million. In addition, we acquired 33 franchised restaurants in Mexico for U.S.$19.0 million and we acquired the minority interests in our subsidiaries located in Ecuador and Peru for U.S.$3.6 million. As previously stated, we collected U.S.$15.0 million of a receivable from McDonald's. In 2008, we opened 61 restaurants and closed 17 restaurants. Approximately 77% of restaurant openings and 65% of restaurant closings occurred in our five primary markets.

During fiscal year 2007, our property and equipment expenditures totaled U.S.$45.2 million. We opened 24 restaurants and did not close any restaurants. Approximately 79% of our restaurant openings occurred in our five primary markets.

The following table presents our property and equipment expenditures by type:

	For the Fiscal Years Ended December 31,		**Six Months Ended June 30,**	
	2007[1]	**2008**	**2008**	**2009**
	(in thousands of U.S. dollars)			
New restaurants	U.S.$7,888	U.S.$38,410	U.S.$9,703	U.S.$16,640
Existing restaurants	30,915	85,218	23,589	14,706
Other[2]	6,371	25,266	9,324	9,773
Total property and equipment expenditures	$ 45,174	$ 148,894	$ 42,616	$ 41,119

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.

(2) Primarily corporate equipment and other office related expenditures.

Property and equipment expenditures decreased by U.S.$1.5 million from U.S.$42.6 million in the six months ended June 30, 2008 to U.S.$41.1 million in the six months ended June 30, 2009. In 2009, a higher proportion of our property and equipment expenditures was directed to the opening of new restaurants.

Property and equipment expenditures increased U.S.$103.7 million or 229.6% in 2008 compared to U.S.$45.2 million in 2007. The increase in property and equipment expenditures was primarily due to higher investment in new restaurants and reinvestment in existing ones. Property and equipment expenditures reflected our commitment to growing sales from existing restaurants, including reinvestment initiatives such as reimaging and the opening of McCafés and Dessert Centers.

New restaurant investments in all periods were primarily concentrated in markets with opportunities for long-term growth and returns on investment above a pre-defined threshold that is significantly above our cost of capital. Average development costs vary widely by market depending on the types of restaurants built and the real estate and construction costs within each market and are affected by foreign currency fluctuations. These costs, which include land, buildings and equipment, are managed through the use of optimally sized restaurants, construction and design efficiencies and the leveraging of best practices.

We owned approximately 31% of the real estate for restaurants as of December 31, 2008 and June 30, 2009.

Financing Activities

	For the Fiscal Years Ended December 31,		Six Months Ended June 30,	
	2007[1]	2008	2008	2009
	(in thousands of U.S. dollars)			
Issuance of common stock	U.S.$377,546	U.S.$ –	U.S.$ –	U.S.$ –
Proceeds from the credit agreement	350,000	–	–	–
Payment of deferred financing costs	(8,372)	(8,712)	–	(1,387)
Payment of letter of credit and swap fees	(1,800)	(1,390)	–	(1,151)
Payment of cross-currency rate swap agreement	(10,105)	(3,567)	(3,567)	(10,727)
Net short-term borrowings	–	14,286	13,820	25,692
Collateral deposit	–	(15,000)	–	–
Repayment of capital lease obligations	(250)	(426)	(131)	(193)
Net cash provided by financing activities	**707,019**	**(14,809)**	**10,122**	**12,234**

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.

Net cash provided by financing activities was U.S.$12.2 million in the six months ended June 30, 2009, compared to U.S.$10.1 million in the six months ended June 30, 2008. The U.S.$2.1 million increase in the amount of cash provided by financing activities was primarily attributable to a higher increase in our short-term borrowings of U.S.$11.9 million, partially offset by higher payments related to our swap agreements of U.S.$7.2 million and payments of deferred financing costs and letter of credit fees of U.S.$2.5 million.

During the six months ended June 30, 2009, our cash outflows were primarily due to the payment of cross-currency rate swap agreements of U.S.$10.7 million and our cash inflows were primarily due to short term borrowings. During the six months ended June 30, 2008, our cash outflows were also primarily due to the payment of cross-currency rate swap agreements of U.S.$3.6 million and our cash inflows were primarily due to short term borrowings.

Net cash used by financing activities was U.S.$14.8 million in 2008, compared to U.S.$707.0 million provided by financing activities in fiscal 2007. The U.S.$721.8 million decrease was primarily attributable to the proceeds from the credit agreement and the issuance of common stock in 2007 which resulted in cash inflows totaling U.S.$727.5 million.

During fiscal year 2008, our cash outflows primarily resulted from the cash collateral deposit of U.S.$15 million we made to comply with the U.S.$80.0 million letter of credit requested by McDonald's, the payment of financing costs and letter of credit fees associated with the refinancing process of the credit agreement totaling U.S.$10.1 million, and the settlement of the swap agreement that was outstanding at December 31, 2007 for U.S.$3.6 million. Our cash inflows resulted from net short-term borrowings.

During fiscal year 2007, our cash outflows primarily resulted from the payment of financing costs and letter of credit fees incurred in obtaining the credit agreement and letter of credit totaling U.S.$10.2 million and the partial settlement of the swap agreement entered into at the same time of obtaining the credit agreement. Our cash inflows resulted from the issuance of common stock as a result of the capital contributions made by our shareholders through the Parent Entities of U.S.$377.5 million and the proceeds from the credit agreement of U.S.$350.0 million, cash that was used to finance the Acquisition.

Credit Agreement

On August 2, 2007, we entered into a U.S.$350.0 million bridge loan maturing in January 2009 to partially finance the Acquisition. The bridge loan bore an interest of LIBOR plus an applicable margin of 0.60% per annum, which increased 0.20% each quarter. Interest was payable on a monthly basis and was charged to expense following the interest method.

On November 10, 2008, we completed the refinancing of the bridge loan through the U.S.$350.0 million credit agreement. Pursuant to the credit agreement, the principal amount will be amortized in seven, semi-annual installments commencing on November 10, 2010 and maturing on November 10, 2013 Each of the first five installments will be in the amount of U.S.$35 million and each of the last two installments will be in the amount of U.S.$87.5 million. The credit agreement bears interest at LIBOR plus a margin of 4.25% per annum (this spread may be reduced to 3.75% after the first year subject to compliance with certain financial ratios).

The first interest payment was made on May 11, 2009. Subsequently, interest will be paid on a quarterly basis. We may at any time select a different interest period. As of June 30, 2009, we were in compliance with all financial covenants.

Venezuelan Commercial Paper Facility

Our subsidiary, Compañía Operativa de Alimentos COR, C.A., intends to issue approximately U.S.$30.0 million *in bolívares fuertes* in short-term commercial paper in the fourth quarter of 2009.

Contractual Obligations and Commitments

The following table presents information relating to our contractual obligations as of December 31, 2008:

Contractual Obligations	Payment Due by Period						
	Total	2009	2010	2011	2012	2013	Thereafter
	(in thousands of U.S. dollars)						
Capital lease obligations	U.S.$2,788	U.S.$352	U.S.$352	U.S.$352	U.S.$352	U.S.$352	U.S.$1,028
Operating lease obligations	1,108,517	104,033	105,812	107,187	108,855	111,239	571,391
Long-term debt[(1)]	350,000	–	35,000	70,000	70,000	175,000	–
Short-term debt	15,107	15,107	–	–	–	–	–
Total	1,476,412	119,492	141,164	177,539	179,207	286,591	572,419

(1) Includes payment of principal, but not interest, under the credit agreement.

The table set forth above excludes projected payments on our swap agreements and our restaurant opening and reinvestment plans pursuant to the MFAs. See "— Quantitative and Qualitative Disclosures About Market Risk"

below and "Our Relationship with McDonald's — Certain Obligations and Limitations — Restaurant Opening Plan and Reinvestment Plan."

Other Matters

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation and changing commodity prices did not have a material impact on our operations in 2007, 2008 or the first half of 2009. Severe increases in inflation, however, could affect Latin American and Caribbean economies and could have an adverse impact on our business, financial condition and results of operations.

In addition, inflation in Venezuela has continued to increase over the past few years and it is probable that Venezuela will be designated as a highly inflationary economy during 2009. Gains and losses resulting from the translation of the financial statements of subsidiaries operating in highly inflationary economies are recorded in earnings. If Venezuela is designated as a highly inflationary economy and/or there is a devaluation of the official rate, our earnings will be negatively impacted.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Risk Management

In the ordinary course of our business activities, we are exposed to various market risks that are beyond our control, including fluctuations in exchange rates, interest rates and the price of our primary supplies, and which may have an adverse effect on the value of our financial assets and liabilities, future cash flows and profit. As a result of these market risks, we could suffer a loss due to adverse changes in interest rates, exchange rates and the price of commodities in the international markets.

Our policy with respect to these market risks is to assess the potential of experiencing losses and the consolidated impact thereof, and to mitigate our market risks through a risk management policy. We have instituted a risk management policy that seeks to mitigate our exposure to the fluctuations in foreign exchange rates, interest rates and commodity prices.

Interest Rate Risk

We have a market risk exposure to changes in interest rates. We attempt to minimize this risk and lower our overall borrowing costs through the utilization of interest rate swaps. These swaps are entered into with financial institutions and have reset dates and key terms that match those of the underlying debt. Accordingly, any change in market value associated with interest rate swaps is offset by the opposite market impact on the related debt.

As of June 30, 2009, we had an interest rate swap agreement to hedge a portion of the cash flows associated with the credit agreement. The interest rate swap agreement terminates on November 10, 2013. The agreement has a notional value of U.S.$140 million, amortized over the life of the credit agreement. The interest rate swap agreement effectively converts our floating-rate debt under the credit agreement to fixed-rate debt, up to the unamortized notional value of the swap. Under the terms of the swap agreement, a quarterly net settlement is made for the difference between the fixed rate of 2.66% and the variable rate based upon the three-month LIBOR on the notional amount of the agreement. We have determined that our interest rate swap agreement has been appropriately designated and documented as a cash flow hedge under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The swap agreement is carried at fair market value in our consolidated balance sheet with unrealized results reported as a component of "Accumulated other comprehensive income (loss)" within shareholders' equity. At June 30, 2009, the fair market value of this derivative represented a liability of U.S.$1.8 million. The interest rate swap helps us manage exposure to changes in forecasted LIBOR-based interest payments made on variable rate debt.

In addition to the interest rate swap, we have entered into cross-currency swaps for a notional amount of U.S.$200 million, for which we pay a fixed interest rate in Brazilian *reais* in exchange for LIBOR U.S. dollars. The dual structure has allowed us to eliminate 97% of our interest rate exposure under the credit agreement.

These swaps are secured by a pledge of our stock in certain of our subsidiaries. We intend to keep these swaps in effect following the issuance of the notes.

Following the issuance of the notes offered hereby and the expected repayment of the outstanding indebtedness under the credit agreement, our interest rates will be fixed, thereby reducing our interest rate risk.

Foreign Currency Exchange Rate Risk

We are exposed to foreign exchange risk primarily in connection with the fluctuation in the value of the local currencies of the countries in which we operate, primarily the Brazilian *real, Mexican peso*, Argentine *peso* and Venezuelan *bolívar fuerte*, against the U.S. dollar. We generate revenues and cash from our operations in local currencies while all of our long-term debt as of June 30, 2009 is denominated in U.S. dollars. An adverse change in foreign currency exchange rates would therefore affect the generation of cash flow from operations in U.S. dollars, which could negatively impact our ability to pay amounts owed on our debt. Since December 2008 we have mitigated this foreign currency exchange rate risk through certain derivative financial instruments entered into to comply with the requirements of the credit agreement, which requires us to hedge 57% of our currency exposure from the credit agreement related to our generation of cash flows in Brazilian *reais* (equivalent to U.S.$200 million). As of June 30, 2009 we had cross-currency interest rate swap agreements outstanding with Banco Santander S.A. and The Bank of Nova Scotia pursuant to which we have hedged a portion of our debt under the credit agreement (U.S.$200 million at LIBOR) to a Brazilian *reais*-denominated fixed-rate debt (R$466.2 million at an average fixed rate of 11.66%). The notional amount of the swaps is amortized over the life of the credit agreement, maturing on November 10, 2013. On a stand-alone basis, we have determined that our cross-currency swap agreements have been appropriately designed and documented as a fair value hedge over a Brazilian *reais*-denominated intercompany receivable relating to a capital reduction made by our Brazilian subsidiaries. However, on a consolidated basis, the cross-currency swap agreements do not qualify for hedge accounting under SFAS No. 133, representing a natural hedge over a portion of our foreign currency and interest rate exposure under the credit agreement. The cross-currency swap agreements are carried at fair market value in our consolidated balance sheet with changes reported in earnings. Changes in the fair market value attributable to changes in the current spot rates between the U.S. dollar and the Brazilian *real* are offset by foreign exchange results recorded by our holding companies in revaluating the Brazilian *real*-denominated intercompany receivable. Changes in the fair market value attributable to changes in the Brazilian *real* forward rate curve impact our consolidated results. At June 30, 2009, the fair market value of our cross-currency swap agreements represented a liability of U.S.$60.1 million.

Revenues from our restaurants are denominated in local currency. Moreover, our continuing franchise fee payments to McDonald's pursuant to the MFAs must be in U.S. dollars, payable on the seventh day subsequent to each month-end. As such, in the intervening period we are exposed to significant foreign exchange risk. In the case of Venezuela, we incur losses in obtaining U.S. dollars to pay royalties via a bond-based exchange process. See "Risk Factors — Certain Factors Relating to Latin America and the Caribbean — We are subject to significant foreign currency exchange controls in certain countries in which we operate."

In Venezuela, the official *bolívar fuerte*-U.S. dollar exchange rate is established by the Central Bank of Venezuela and the Venezuelan Ministry of Finance attributes to the *bolívar fuerte* a value which we believe is significantly greater than the value that would prevail in an open market. The official rate is the rate used for recording the assets, liabilities and transactions for our Venezuelan subsidiaries. Moreover, the conversion of *bolívares fuertes* into foreign currencies is limited by the current exchange control regime. Accordingly, the acquisition of foreign currency by Venezuelan companies to pay foreign debt, pay dividends or otherwise move capital out of Venezuela is subject to registration and subject to a process of application and approval by CADIVI and to the availability of foreign currency within the guidelines set forth by the National Executive Power for the allocation of foreign currency. Such approvals have become less forthcoming over time, resulting in a significant increase in our exchange rate and exchange control risks. If CADIVI does not approve further exchanges at the official exchange rate, we may need to rely on a bond-based exchange process, under which we purchase bonds

issued by the Venezuelan government in *bolívares fuertes* and then immediately exchange those bonds outside Venezuela for bonds denominated in U.S. dollars, which we would currently be unable to do at a favorable exchange rate. This could result in our having fewer U.S. dollars than currently reported as cash and cash equivalents and may result in a charge to net income. We would record any such loss under the "Foreign currency exchange loss" line item of our consolidated income statement. In 2008, we exchanged bonds issued by the Venezuelan government for U.S.$38.0 million, recording a loss of U.S.$28.5 million. During the six-months ended June 30, 2009, we exchanged bonds issued by the Venezuelan government for U.S.$17.9 million, recording a loss of U.S.$29.4 million. As of June 30, 2009, approximately U.S.$22.0 million (translated at the official exchange rate) of our cash and cash equivalents were held in Venezuelan *bolívares fuertes.*

In addition, we are exposed to foreign exchange risk related to U.S. dollar-denominated intercompany debt held by our operating subsidiaries with our holding companies. Although these intercompany balances are eliminated through consolidation, an adverse change in exchange rates could have a significant impact on our results through the recognition of foreign currency exchange losses in our consolidated income statement.

A decrease of 1.0% in the value of the Brazilian *real* against the U.S. dollar would result in a foreign exchange loss of U.S.$12.3 million over our currently outstanding foreign-denominated debt of U.S.$122.6 million as of June 30, 2009.

A decrease of 1.0% in the value of the Mexican *peso* against the U.S. dollar would result in no foreign exchange loss since we do not currently have any outstanding foreign-denominated debt in our Mexican subsidiaries as of June 30, 2009.

A decrease of 1.0% in the value of the Argentine *peso* against the U.S. dollar would result in a foreign exchange loss of U.S.$3.5 million over our currently outstanding foreign-denominated debt of U.S.$35.2 million as of June 30, 2009.

A decrease of 1.0% in the value of the Venezuelan *bolívar fuerte* against the U.S. dollar would result in a foreign exchange loss of U.S.$7.2 million over our currently outstanding foreign-denominated debt of U.S.$71.6 million as of June 30, 2009.

Commodity Price Risk

We purchase our primary supplies, including beef, chicken, buns, produce, cheese, liquid products and dairy mixes pursuant to informal agreements with our suppliers at prices that are derived from international market prices. We therefore carry market risk exposure to changes in commodity prices that have a direct impact on our costs. We do not enter into futures or options contracts to protect ourselves against changes in commodities prices, although we may do so in the future. We attempt to minimize this risk by entering into annual and semi-annual pricing arrangements with our main suppliers. This allows us to provide cost predictability while avoiding the costs related to the use of derivative instruments, which we may not be able to pass on to our customers due to the competitive nature of the QSR industry.

Summarized Financial Information of Venezuela

The table below presents summarized financial information of our operations in Venezuela for each of the periods presented. Data for fiscal year 2007 relates to the results included in our consolidated financial statements and, as such, includes only five months of operations as from the date of the Acquisition.

As discussed in Note 3 to our consolidated financial statements, there are currency restrictions in place in Venezuela that limit our ability to physically convert local currency to U.S. dollars. Due to currency controls, there is no free-market currency exchange rate. Therefore, in preparing our consolidated financial statements, we use the exchange rate established by the Venezuelan government to translate the local currency financial statements into our reporting currency. If the Venezuelan local currency resumes trading in an open market, we believe the exchange rate may be significantly greater than the rate set by the government. A significant devaluation of the local currency would result in a decline in revenues and, to a lesser extent, operating income when reported in U.S. dollars.

In addition, inflation in Venezuela has continued to increase over the past few years and it is probable that Venezuela will be designated as a highly inflationary economy during 2009. Gains and losses resulting from the translation of the financial statements of subsidiaries operating in highly inflationary economies are recorded in earnings. If Venezuela is designated as a highly inflationary economy and/or there is a devaluation of the official rate, our earnings would be negatively impacted.

	For Fiscal Year Ended December 31,		**For the Six-Months Ended June 30,**	
	2007[(1)]	**2008**	**2008**	**2009**
	(expressed in thousands of U.S. dollars)			
Income statement data:				
REVENUES				
Sales by Company-operated restaurant	U.S.$112,279	U.S.$350,552	U.S.$158,627	U.S.$198,730
Revenues from franchised restaurants	13,741	43,293	19,893	24,783
Total revenues	**126,020**	**393,845**	**178,520**	**223,513**
OPERATING COSTS AND EXPENSES				
Company-operated restaurant expenses:				
Food and paper	(42,669)	(125,956)	(60,415)	(84,023)
Payroll and employee benefits	(16,466)	(55,674)	(23,752)	(34,122)
Occupancy and other operating expenses	(25,741)	(77,519)	(36,435)	(46,789)
Royalty fees	(6,523)	(16,833)	(7,435)	(9,534)
Franchised restaurants — occupancy expenses	(1,078)	(7,929)	(3,587)	(4,640)
Selling, general and administrative expenses	(7,286)	(20,507)	(8,402)	(11,405)
Other operating expenses, net	(84)	(481)	(1,455)	(897)
Total operating costs and expense	**(99,847)**	**(304,899)**	**(141,481)**	**(191,410)**
Operating income	**26,173**	**88,946**	**37,039**	**32,103**

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.

The following table presents the Adjusted EBITDA of our operations in Venezuela for each of the periods presented. Data for fiscal year 2007 relates to the results included in our consolidated financial statements and, as such, includes only five months of operations as from the date of the Acquisition. EBITDA is not a U.S. GAAP financial measure, does not represent cash flows from operations for the periods indicated and should not be considered an alternative to operating income as an indicator of our results of operations or as an alternative to cash flows from operations as an indicator of liquidity. EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to adjusted EBITDA as used by other companies. Adjusted EBITDA is a performance measure used by our management as we believe that Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. See "Special Note Regarding Non-GAAP Financial Measures." Adjusted EBITDA is defined as our operating income plus depreciation and amortization minus/plus other operating income or expenses classified as non-cash or non-recurring for management reporting purposes.

	For Fiscal Year Ended December 31,		**For the Six Months Ended June 30,**	
	2007[(1)]	**2008**	**2008**	**2009**
	(in thousands of U.S. dollars)			
Operating income	26,173	88,946	37,039	32,103
Plus:				
Depreciation and amortization	2,960	7,059	3,527	4,098
Minus/Plus:				
Other operating income (expenses) classified as non-cash	1	(2)	–	7
Minus/Plus:				
Other operating income (expenses) classified as non-recurring	–	–	–	–
Adjusted EBITDA	**29,134**	**96,003**	**40,566**	**36,208**

(1) Data for the year ended December 31, 2007 relates to the results included in our consolidated financial statements, and as such includes only five months of operations as from August 3, 2007, the date of the Acquisition.

Unaudited Pro Forma Financial Information for Fiscal Year Ended December 31, 2007

We have set forth below unaudited pro forma financial information for fiscal year 2007. The unaudited pro forma financial information for fiscal year 2007 presents the consolidated results of operations of Arcos Dorados as if the acquisition of McDonald's LatAm business had occurred as of January 1, 2007. The unaudited pro forma financial information is based on the results of operations of McDonald's LatAm business, a former division of McDonald's, for the seven-month period ended August 2, 2007 and on the results of Arcos Dorados for the fiscal year ended December 31, 2007, which only include the five months of operations as of the date of the Acquisition. Certain pro forma adjustments were computed, assuming the Acquisition was consummated at the beginning of fiscal year 2007, giving effect to events that are directly attributable to the Acquisition, expected to have a continuing impact on the Company and factually supportable. The unaudited pro forma consolidated income statement is presented for comparative purposes only; however, such financial information may not be directly comparable because of various assumptions involved in its calculation.

The unaudited pro forma financial information was prepared using the purchase method of accounting based on available information and assumptions that we believe to be reasonable. These adjustments are described in the notes below. We believe that the assumptions used to derive the unaudited pro forma financial information are reasonable given the information available; however, such assumptions are subject to change and the effect of any such change could be material. The unaudited pro forma financial information should not be considered indicative

of actual results that would have been achieved had the Acquisition actually been consummated on the date indicated and do not purport to be indicative of results of operations as of any future date or for any future period.

	McDonald's LatAm Business- January 1, 2007 to August 2, 2007	Arcos Dorados- August 3, 2007 to December 31, 2007	Adjustments	Pro Forma 2007, as Adjusted
	(in thousands of U.S. dollars)			
Income statement data:				
REVENUES				
Sales by Company-operated restaurant	U.S.$1,078,194	U.S.$895,429	U.S.$(28,435)[a]	U.S.$1,945,188
Revenues from franchised restaurants	66,353	45,910	(15,994)[a][b]	96,269
Total revenues	**1,144,547**	**941,339**	**(44,429)**	**2,041,457**
OPERATING COSTS AND EXPENSES				
Company-operated restaurant expenses:				
Food and paper	(416,616)	(332,547)	10,574[a]	(738,589)
Payroll and employee benefits	(196,507)	(161,871)	4,164[a]	(354,214)
Occupancy and other operating expenses	(307,391)	(238,765)	27,930[a][c]	(518,226)
Royalty fees	(57,558)	(44,878)	9,523[a][b][d]	(92,913)
Franchised restaurants — occupancy expenses	(18,489)	(13,979)	(495)[a][c]	(32,963)
Selling, general and administrative expenses	(80,655)	(71,898)	(8,755)[a][c][e][f]	(161,308)
Other operating expenses, net	(16,018)	(6,310)	(6,790)[a][g][h]	(29,118)
Total operating costs and expense	**(1,093,234)**	**(870,248)**	36,151	**(1,927,331)**
Operating income	**51,313**	**71,091**	(8,278)	**114,126**
Net interest expense	(33,362)	(13,978)	17,171[a][i][j][k]	(30,169)
Loss on cross-currency swap agreements	–	(13,672)	–	(13,672)
Foreign currency exchange loss	1,192	(3,542)	33,144[a][k][l]	30,794
Other non-operating (expenses) income, net	(1,539)	29	1,136[a]	(374)
Income before income taxes	**17,604**	**39,928**	43,173	**100,705**
Income tax expense	(31,921)	(17,511)	(426)[a][c]	(49,858)
Net income	**(14,317)**	**22,417**	42,747	**50,847**
Less: Net income attributable to non-controlling interests	(1,747)	(43)	1,680[a]	(110)
Net income(loss) attributable to Arcos Dorados B.V	**(16,064)**	**22,374**	44,427	**50,737**

(a) *Conversion of Company-Operated Restaurants into Franchised Restaurants in Mexico.* In April and May 2007, in anticipation of the sale of McDonald's Latam business, McDonald's sold its 51% ownership interest in three joint ventures organized in Mexico, converting the

related business from Company-operated restaurants to franchised restaurants. As a result, we made an adjustment to reflect the results of Mexico as if the sale would have occurred at the beginning of fiscal year 2007 as follows:

REVENUES	
Sales by Company-operated restaurant	U.S.$(28,404)
Revenues from franchised restaurants	3,479
Total revenues	**(24,925)**
OPERATING COSTS AND EXPENSES	
Company-operated restaurant expenses:	
Food and paper	10,566
Payroll and employee benefits	4,156
Occupancy and other operating expenses	9,192
Royalty fees	1,290
Franchised restaurants — occupancy expenses	(2,431)
Selling, general and administrative expenses	608
Other operating expenses, net	4,296
Total operating costs and expenses	**27,677**
Operating income	**2,752**
Net interest expense	400
Loss on cross-currency swap agreements	–
Foreign currency exchange loss	(153)
Other non-operating (expenses) income, net	130
Income before income taxes	**3,129**
Income tax expense	(708)
Net income	**2,421**
Less: Net income attributable to non-controlling interest	1,680
Net income attributable to Arcos Dorados B.V	**4,101**

(b) *Classification of Royalty Income and Expense Related to Franchise Restaurants.* During the seven-month period ended July 31, 2007, royalties collected from the franchisees and paid to McDonald's were reported as revenues and royalty fees. Since we disclose royalties from franchised restaurants on a net basis, we made a reclassification adjustment to reflect lower amounts of "Revenues from franchised restaurants" and "Royalty fees" on a pro forma basis for U.S.$19,473.

(c) *Purchase Accounting.* We made an adjustment to reflect the effects of the purchase accounting for the seven-month period ended July 31, 2007 assuming the Acquisition was consummated as of January 1, 2007. This adjustment reduces depreciation and amortization charges for U.S.$22,726 (U.S.$18,716; U.S.$2,239; and U.S.$1,771 included within "Occupancy and other operating expenses," "Franchise restaurants — occupancy expenses" and "Selling, general and administrative expenses," respectively, in our consolidated income statement) and "Income taxes expense" for U.S.$309.

(d) *Royalty Fees.* During the seven-month period ended July 31, 2007, the subsidiaries located in Brazil, Argentina, Puerto Rico, Curaçao and Aruba paid McDonald's a lower percentage of royalties than the percentage established by the MFAs. As a result, "Royalty fees" for such seven-month period were increased by U.S.$8,669 to reflect a higher expense on a pro forma basis.

(e) *General and Administrative Expenses Related to Certain Markets.* Personnel in Puerto Rico and Panama provide support to McDonald's in the operation and administration of its restaurants in certain countries in Latin America and the Caribbean that were not acquired by us (Dominican Republic, Bahamas, Surinam, St. Maarten, Honduras, Nicaragua, El Salvador and Guatemala). In connection with the Acquisition, we agreed to maintain the services in exchange for an amount equal to 2% of the sales of these countries. During the seven-month period ended July 31, 2007, Puerto Rico and Panama recovered a greater amount of expenses from McDonald's as compared to the amount that would have been recovered under the new agreement. As a result, we made an adjustment of U.S.$4,243 to reflect on a pro-forma basis a lower amount of general and administrative expenses recovery to conform the net charge to the new agreement.

(f) *Corporate General and Administrative Expenses.* The seven-month period ended July 31, 2007 does not include general and administrative expenses related to new corporate positions. As a result, we made an adjustment of U.S.$9,833 in "Selling, general and administrative expenses" to reflect the related expense for the seven-month period prior to the Acquisition.

(g) *Transaction Entered into With McDonald's During the Seven-Month Period Ended July 31, 2007.* We made an adjustment to eliminate the effects of the gain on the sale of properties in Brazil for U.S.$3,603 recorded within "Other operating expenses, net".

(h) *Other Adjustments.* We made an adjustment of U.S.$6,151 loss affecting "Other operating expenses, net" mainly related to the Brazilian contingencies (primarily the write off of certain judicial deposits), which were not assumed by us in connection with the Acquisition.

(i) *Interest Expense Related to the Credit Agreement, Including Amortization of Deferred Financing Costs and Letter of Credit Fees.* We made an adjustment of U.S.$16,784 (loss) to "Net interest expense" to reflect these charges for the seven-month period ended July 31, 2007 assuming the Acquisition was consummated on January 1, 2007 and that the bridge loan was entered into as of the same date. For purposes of this adjustment, we calculated the applicable interest rate as if the bridge loan was entered into as of January 1, 2007 reflecting the step-ups in interest rates over LIBOR provided for therein.

(j) *Interest Income Related to Intercompany Loans.* During the seven-month period ended July 31, 2007, the subsidiaries located in Brazil, México, Venezuela, Argentina, Colombia and Peru incurred interest expenses related to intercompany loans held with McDonald's. The related intercompany loan receivables were transferred by McDonald's to Latam LLC in connection with the Acquisition and, therefore, acquired by us. Therefore, we made an adjustment amounting to U.S.$10,939 to reflect on a pro-forma basis the elimination of the interest

(footnotes continued on next page)

expense recognized by the abovementioned subsidiaries since due to the acquisition those loans became intercompany loans that are eliminated in consolidation.

(k) *Foreign Currency Exchange Loss Related to the Payment of Venezuelan Royalties, Dividends and Intercompany Payables.* During the seven-month period ended July 31, 2007, Venezuela did not pay royalties to McDonald's even though such royalties were recorded. If the Acquisition would have occurred at the beginning of the fiscal year, Venezuela would have been required to pay such royalties on a monthly basis, incurring foreign exchange losses. In addition, during the seven-month period ended July 31, 2007 and in order to repatriate funds before selling the company, Venezuela incurred foreign exchange losses to pay dividends to, and settle intercompany payables with, McDonald's. As a result, we made an adjustment to (a) reflect the foreign exchange losses related to royalties amounting to U.S.$7,730 and (b) eliminate foreign exchange losses related to dividends and payables for U.S.$22,045. The latter charge was originally recorded within "Net interest expense" in the income statement for the seven-month period ended July 31, 2007.

(l) *Foreign Currency Exchange Results Related to Intercompany Loans.* During the seven-month period ended July 31, 2007, the effects of exchange rate differences on intercompany loans held by the subsidiaries located in Brazil, Argentina, Colombia, Peru and Venezuela were excluded from the income statement and included within the translation adjustment in other comprehensive income (a component of shareholders' equity) due to their long-term nature. We record foreign exchange results in the income statement since these loans are no longer of a long-term nature. As a result, we made an adjustment for U.S.$41,882 reclassifying to earnings the foreign exchange gains incurred during the seven-month period ended July 31, 2007.

2007 Pro Forma Financial Information by Division

The tables below present summarized pro forma financial information for fiscal year 2007 by each of our geographical divisions. For a description of the adjustments, please refer to the footnotes included in the table showing the 2007 pro forma financial information on a consolidated basis. Our operating income on a pro-forma basis for fiscal year 2007 includes U.S.$9.6 million of corporate costs not allocated to our geographical divisions.

Brazil

	McDonald's LatAm Business- January 1, 2007 to August 2, 2007	Arcos Dorados- August 3, 2007 to December 31, 2007	Adjustments	Pro Forma 2007, as Adjusted
	(in thousands of U.S. dollars)			
Income Statement Data:				
REVENUES				
Sales by Company-operated restaurant	U.S.$498,930	U.S.$446,062	–	U.S.$944,992
Revenues from franchised restaurants	21,799	15,806	(7,140)[(b)]	30,465
Total revenues	520,729	461,868	(7,140)	975,457
OPERATING COSTS AND EXPENSES				
Company-operated restaurant expenses:				
Food and paper	(188,891)	(164,563)	–	(353,454)
Payroll and employee benefits	(87,756)	(78,774)	–	(166,530)
Occupancy and other operating expenses	(162,476)	(129,591)	10,051[(c)]	(282,016)
Royalty fees	(23,765)	(21,542)	(3)[(b)(d)]	(45,310)
Franchised restaurants — occupancy expenses	(7,099)	(6,707)	2,027[(c)]	(11,779)
Selling, general and administrative expenses	(31,234)	(24,766)	(1,641)[(c)(f)]	(57,641)
Other operating expenses, net	(7,628)	(5,282)	(11,702)[(g)(h)]	(24,612)
Total operating costs and expense	(508,849)	(431,225)	(1,268)	(941,342)
Operating income	11,880	30,643	(8,408)	34,115

Caribbean Division

	McDonald's LatAm Business- January 1, 2007 to August 2, 2007	Arcos Dorados- August 3, 2007 to December 31, 2007	Adjustments	Pro Forma 2007, as Adjusted
		(in thousands of U.S. dollars)		
Income Statement Data:				
REVENUES				
Sales by Company-operated restaurant	U.S. $115,892	U.S. $86,291	U.S. $(31)	U.S. $202,152
Revenues from franchised restaurants	9,306	4,505	(2,549)[(b)]	11,262
Total revenues	**125,198**	**90,796**	**(2,580)**	**213,414**
OPERATING COSTS AND EXPENSES				
Company-operated restaurant expenses:				
Food and paper	(39,069)	(28,527)	11	(67,585)
Payroll and employee benefits	(28,638)	(21,821)	10	(50,449)
Occupancy and other operating expenses	(28,034)	(20,727)	(93)[(c)]	(48,854)
Royalty fees	(8,108)	(4,229)	2,394[(b)(d)]	(9,943)
Franchised restaurants — occupancy expenses	(1,934)	(1,156)	(62)[(c)]	(3,152)
Selling, general and administrative expenses	(6,916)	(6,367)	(2,647)[(c)(e)]	(15,930)
Other operating expenses, net	137	497	(238)	396
Total operating costs and expense	**(112,562)**	**(82,330)**	**(625)**	**(195,517)**
Operating income	**12,636**	**8,466**	**(3,205)**	**17,897**

NOLAD

	McDonald's LatAm Business — January 1, 2007 to August 2, 2007	Arcos Dorados — August 3, 2007 to December 31, 2007	Adjustments	Pro Forma 2007, as Adjusted
	(in thousands of U.S. dollars)			
Income Statement Data:				
REVENUES				
Sales by Company-operated restaurant	U.S.$135,312	U.S.$81,710	U.S.$(28,403)[(a)]	U.S.$188,619
Revenues from franchised restaurants	14,861	10,222	(955)[(a)(b)]	24,128
Total revenues	**150,173**	**91,932**	**(29,358)**	**212,747**
OPERATING COSTS AND EXPENSES				
Company-operated restaurant expenses:				
Food and paper	(54,550)	(33,140)	10,564[(a)]	(77,126)
Payroll and employee benefits	(19,534)	(11,657)	4,156[(a)]	(27,035)
Occupancy and other operating expenses	(40,285)	(20,199)	14,652[(a)(c)]	(45,832)
Royalty fees	(8,080)	(4,237)	3,110[(a)(b)]	(9,207)
Franchised restaurants — occupancy expenses	(5,799)	(4,197)	(886)[(a)(c)]	(10,882)
Selling, general and administrative expenses	(15,875)	(10,149)	2,353[(a)(c)(e)]	(23,671)
Other operating expenses, net	(6,907)	(322)	3,832[(a)]	(3,397)
Total operating costs and expense	**(151,030)**	**(83,901)**	**37,781**	**(197,150)**
Operating income	**(857)**	**8,031**	**8,423**	**15,597**

SLAD

	McDonald's LatAm Business- January 1, 2007 to August 2, 2007	Arcos Dorados- August 3, 2007 to December 31, 2007	Adjustments	Pro Forma 2007, as Adjusted
		(in thousands of U.S. dollars)		
Income Statement Data:				
REVENUES				
Sales by Company-operated restaurant	U.S.$328,060	U.S. $281,366	U.S.$(1)	U.S.$609,425
Revenues from franchised restaurants	20,387	15,377	(5,350)[(b)]	30,414
Total revenues	**348,447**	**296,743**	**(5,351)**	**639,839**
OPERATING COSTS AND EXPENSES				
Company-operated restaurant expenses:				
Food and paper	(134,106)	(106,317)	(1)	(240,424)
Payroll and employee benefits	(60,579)	(49,619)	(2)	(110,200)
Occupancy and other operating expenses	(76,596)	(68,248)	3,320[(c)]	(141,524)
Royalty fees	(17,605)	(14,870)	4,022[(b)(d)]	(28,453)
Franchised restaurants — occupancy expenses	(3,657)	(1,919)	(1,574)[(c)]	(7,150)
Selling, general and administrative expenses	(24,716)	(24,438)	(5,303)[(c)(f)]	(54,457)
Other operating expenses, net	(1,620)	(1,203)	1,318	(1,505)
Total operating costs and expense	**(318,879)**	**(266,614)**	**1,780**	**(583,713)**
Operating income	**29,568**	**30,129**	**(3,571)**	**56,126**

2007 Adjusted EBITDA on a Pro Forma Basis

The table below shows the computation of Adjusted EBITDA for fiscal year 2007 on a pro forma basis. EBITDA is not a U.S. GAAP financial measure, does not represent cash flows from operations for the periods indicated and should not be considered as an alternative to operating income as an indicator of our results of operations or an alternative to cash flows from operations as an indicator of liquidity. EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies. Adjusted EBITDA is a performance measure used by our management as we believe that Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. See "Special Note Regarding Non-GAAP Financial Measures." Adjusted EBITDA is defined as our operating income plus depreciation and amortization minus/plus other operating income or expenses classified as non-cash or non-recurring for management reporting purposes.

	Brazil	Caribbean Division	NOLAD	SLAD	Corporate	Total
	(in thousands of U.S. dollars) (unaudited)					
Operating income (loss)	U.S.$34,115	U.S. $17,897	U.S. $15,597	U.S.$56,126	U.S.$(9,609)	U.S.$114,126
Plus:						
Depreciation and amortization	14,803	10,407	8,340	12,895	–	46,445
Minus/Plus:						
Other operating income (expenses) classified as non-cash	983	652	25	719	–	2,379
Adjusted EBITDA	49,901	28,956	23,962	69,740	(9,609)	162,950

Fiscal Year Ended December 31, 2008 Compared to the Unaudited Pro Forma Fiscal Year Ended December 31, 2007

The following table presents our consolidated results of operations for the periods indicated:

	Pro Forma for Fiscal Year Ended December 31, 2007	For the Fiscal Year Ended December 31, 2008	% Increase (Decrease)
	(in thousands of U.S. dollars)		
REVENUES			
Sales by Company-operated restaurants	U.S.$1,945,188	U.S.$2,480,897	27.5%
Revenues from franchised restaurants	96,269	125,945	30.8
Total revenues	**2,041,457**	**2,606,842**	**27.7**
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses:			
Food and paper	(738,589)	(902,305)	22.2
Payroll and employee benefits	(354,214)	(461,602)	30.3
Occupancy and other operating expenses	(518,226)	(647,152)	24.9
Royalty fees	(92,913)	(118,980)	28.1
Franchised restaurants — occupancy expenses	(32,963)	(42,416)	28.7
Selling, general and administrative expenses	(161,308)	(185,984)	15.3
Other operating expenses, net	(29,118)	(26,095)	(10.4)
Total operating costs and expenses	**(1,927,331)**	**(2,384,534)**	23.7
Operating income	**114,126**	**222,308**	94.8
Net interest expense	(30,169)	(26,272)	(12.9)
Loss on cross-currency swap agreements	(13,672)	(2,620)	(80.8)
Foreign currency exchange (loss) gain	30,794	(74,884)	(343.2)
Other non-operating expenses, net	(374)	(1,934)	417.1
Income before income taxes	**100,705**	**116,598**	15.8
Income tax expense	(49,858)	(2,488)	(95.0)
Net income	**50,847**	**114,110**	124.4
Less: Net income attributable to non-controlling interests	(110)	(1,375)	1,150.0
Net income attributable to Arcos Dorados B.V.	**50,737**	**112,735**	122.2

Key Business Measures

We track our results of operations and manage our business by using three key business measures: comparable sales growth, average restaurant sales and sales growth. Systemwide results are driven primarily by our Company-operated restaurants as approximately 72% of our systemwide restaurants are Company-operated. Unless otherwise stated, comparable sales growth, average restaurant sales and sales growth are presented on a systemwide basis.

Comparable Sales

	For the Fiscal Year Ended December 31, 2008[1]
Arcos Dorados	
Systemwide comparable sales growth	20.7%
Company-operated comparable sales growth	21.8
Franchised comparable sales growth	18.3
Systemwide Comparable Sales Growth by Division	
Brazil	17.0%
Caribbean division	4.6
NOLAD	3.4
SLAD	40.9
Company-operated Comparable Sales Growth by Division	
Brazil	17.6%
Caribbean division	6.0
NOLAD	6.4
SLAD	38.6
Franchised Comparable Sales Growth by Division	
Brazil	15.3%
Caribbean division	1.7
NOLAD	0.1
SLAD	47.3

(1) Our comparable sales for the fiscal year ended December 31, 2008 are analyzed against the sales for the pro forma fiscal year ended December 31, 2007.

Our comparable sales growth on a consolidated basis in 2008 was driven by strong sales in Happy Meals, dessert offerings and value menus. This growth was also supported by continuing macroeconomic growth in the first three quarters of 2008 in most of our markets.

Average Restaurant Sales

	Pro Forma for the Fiscal Year Ended December 31, 2007	For the Fiscal Year Ended December 31, 2008
	(in thousands of U.S. dollars)	
Systemwide Average Restaurant Sales	U.S.$1,780	U.S.$2,187
Company-operated Average Restaurant Sales	1,715	2,198
Franchised Average Restaurant Sales	1,950	2,160

Our ARS improvement during 2008 as compared to 2007 (on a pro forma basis) was primarily due to improved comparable sales growth of 20.7% for the period, as discussed above.

Sales Growth

	For the Fiscal Year Ended December 31, 2008[(1)]	For the Fiscal Year Ended December 31, 2008(1)
		(in constant currency)
Brazil	26.8%	19.5%
Caribbean division	6.8	5.1
NOLAD	5.4	7.3
SLAD	42.9	42.4
Total Systemwide Sales Growth	26.3	22.8

(1) Our systemwide sales growth for the fiscal year ended December 31, 2008 is compared against sales for the twelve-month period ended December 31, 2007.

We experienced strong sales growth during 2008, as comparable sales and the number of restaurants in operation increased on a systemwide basis. Our sales growth during 2008 reflects sales growth and an increase in the amount of revenues earned by net new restaurants. We opened 44 net new restaurants in 2008. We had 1,159 Company-operated restaurants and 480 franchised restaurants as of December 31, 2008, compared to 1,098 Company-operated restaurants and 494 franchised restaurants as of December 31, 2007.

Revenues

	Pro Forma for the Fiscal Year Ended December 31, 2007	For the Fiscal Year Ended December 31, 2008	% Increase (Decrease)
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants			
Brazil	U.S.$944,992	U.S.$1,194,340	26.4%
Caribbean division	202,152	220,045	8.9
NOLAD	188,619	208,978	10.8
SLAD	609,425	857,534	40.7
Total	**1,945,188**	**2,480,897**	**27.5**
Revenues from franchised restaurants			
Brazil	U.S.$30,465	U.S.$42,868	40.7%
Caribbean division	11,262	11,689	3.8
NOLAD	24,128	23,105	(4.2)
SLAD	30,414	48,283	58.8
Total	**96,269**	**125,945**	**30.8**
Total revenues			
Brazil	U.S.$975,457	U.S.$1,237,208	26.8%
Caribbean division	213,414	231,734	8.6
NOLAD	212,747	232,083	9.1
SLAD	639,839	905,817	41.6
Total	**2,041,457**	**2,606,842**	**27.7**

Sales by Company-Operated Restaurants

Our total sales by Company-operated restaurants increased by U.S.$535.7 million, or 27.5%, to U.S.$2,480.9 million in 2008, as compared to pro forma 2007, primarily as a result of favorable performances in Brazil and SLAD, due to positive comparable sales and 28 net restaurant openings. In 2008, we continued with the roll-out of innovative value menu initiatives and new dessert and beverage choices while maintaining focus on our key products. At the same time, we pursued an aggressive investment plan with the opening of new restaurants and reimaging of existing ones. As a result, every division contributed to Company-operated comparable sales growth of 21.8% in 2008.

In Brazil, sales by Company-operated restaurants increased by U.S.$249.3 million, or 26.4%, to U.S.$1,194.3 million in 2008, primarily as a result of an increase in comparable sales of 17.6%, a 6% appreciation of the *real* against the U.S. dollar, and four net restaurant openings. Growth in comparable sales was driven by macroeconomic growth in the country, increased sales of Happy Meals as well as an increase of average prices in real terms.

In the Caribbean division, sales by Company-operated restaurants increased by U.S.$17.9 million, or 8.9%, to U.S.$220.0 million in 2008, primarily as a result of a 6.0% increase in comparable sales that came from higher average prices, a 7% appreciation of the *euro* against the U.S. dollar and two net restaurant openings. Growth in comparable sales was driven by the introduction of new products and promotions and in spite of a difficult macroeconomic environment in Puerto Rico, the division's main market.

In NOLAD, sales by Company-operated restaurants increased by U.S.$20.4 million, or 10.8%, to U.S.$209.0 million in 2008, primarily as a result of an increase in comparable sales of 6.4%, the transformation of 33 franchised restaurants into Company-operated restaurants, which represented additional sales of

U.S.$4.8 million, and 14 net restaurant openings. Growth in comparable sales was due to strong performances of value menus in Costa Rica and Panama, two countries which also experienced favorable macroeconomic growth. Sales in Mexico suffered from a strong competitive environment as well as a 2% depreciation of the Mexican *peso* against the U.S. dollar.

In SLAD, sales by Company-operated restaurants increased by U.S.$248.1 million, or 40.7%, to U.S.$857.5 million in 2008, mostly due to a comparable sales increase of 38.6% and eight net restaurant openings. Growth in comparable sales resulted from price increases, which in most markets were above inflation. Argentina and Venezuela, our most important SLAD markets, experienced significant inflation rates during 2008.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants increased by U.S.$29.7 million, or 30.8%, from U.S.$96.3 million in pro forma 2007 to U.S.$125.9 million in 2008, primarily as a result of an improvement in rental income, comparable sales growth and 16 net restaurant openings.

In Brazil, revenues from franchised restaurants increased by U.S.$12.4 million, or 40.7%, to U.S.$42.9 million in 2008, due to growth in comparable sales and a decrease in temporary reductions in rent allowed to some franchisees that had been previously granted by McDonald's.

In the Caribbean division, revenues from franchised restaurants increased by U.S.$0.4 million, or 3.8%, to U.S.$11.7 million in 2008, below systemwide sales growth due to the non- participation by some Puerto Rican franchisees in promotional campaigns that negatively affected their comparable sales.

In NOLAD, revenues from franchised restaurants decreased by U.S.$1.0 million, or 4.2%, to U.S.$23.1 million in 2008, because of the transformation of 33 franchised restaurants, or 8% of total restaurants in the division, into Company-operated restaurants.

In SLAD, revenues from franchised restaurants increased by U.S.$17.9 million, or 58.8%, to U.S.$48.3 million in 2008, mostly driven by comparable sales growth. In addition, we were able to decrease temporary reductions in rental income granted to some franchisees in Argentina.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs increased by U.S.$163.7 million, or 22.2%, to U.S.$902.3 million in 2008, as compared to pro forma 2007. As a percentage of our total sales by Company-operated restaurants, food and paper costs decreased 1.6 percentage points to 36.4% as a result of cost efficiencies and price increases above costs.

In Brazil, food and paper costs increased by U.S.$75.0 million, or 21.2%, to U.S.$428.4 million in 2008. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased 1.5 percentage points to 35.9% as a result of reductions in the prices of beef and potatoes and a reduction in wastage due to operational improvements.

In the Caribbean division, food and paper costs increased by U.S.$6.7 million, or 9.9%, to U.S.$74.3 million in 2008. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased 0.3 percentage points to 33.8%, mostly in line with the division's sales despite the negative effect of higher energy costs that in turn translated to higher food costs. Most electricity in the Caribbean markets is generated from imported fuel and its cost fluctuates with international oil prices.

In NOLAD, food and paper costs increased by U.S.$7.1 million, or 9.2%, to U.S.$84.2 million in 2008. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased 0.6 percentage points to 40.3% due to lower toy costs which were offset, in part, by weaker local currencies.

In SLAD, food and paper costs increased by U.S.$76.4 million, or 31.8%, to U.S.$316.8 million in 2008. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased 2.5 percentage points to 36.9% mostly because of a product mix with a lower proportion of Happy Meals, and thus lower toy costs.

Payroll and Employee Benefits

Our total payroll and employee benefits costs increased by U.S.$107.4 million, or 30.3%, to U.S.$461.6 million in 2008, as compared to pro forma 2007. As a percentage of our sales by Company-operated restaurants, our total payroll and employee benefits costs increased 0.4 percentage points to 18.6%. This increase can be attributed to wage inflation that was not matched by menu price increases.

In Brazil, payroll and employee benefits costs increased by U.S.$50.7 million, or 30.5%, to U.S.$217.2 million in 2008. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 0.6 percentage points to 18.2% because of a higher variable compensation and new labor regulations that increased our average cost per crew hour.

In the Caribbean division, payroll and employee benefits costs increased by U.S.$7.1 million, or 14.0%, to U.S.$57.5 million in 2008. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 1.2 percentage points to 26.1% due to increases in the minimum wage in Puerto Rico that were not matched by menu price increases.

In NOLAD, payroll and employee benefits costs increased by U.S.$5.0 million, or 18.5%, to U.S.$32.0 million in 2008. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased 1.0 percentage points to 15.3% due to an increase in crew headcount during 2008 in order to improve our level of service.

In SLAD, payroll and employee benefits costs increased by U.S.$44.6 million, or 40.5%, to U.S.$154.8 million in 2008. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs remained unchanged at 18.1%. Although the cost of salaries increased at a rate above the inflation rate, crew hours increased at a slower pace than our volume.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses increased by U.S.$128.9 million, or 24.9%, to U.S.$647.2 million in 2008, as compared to pro forma 2007. Most of this increase was related to higher sales as some of these costs, such as advertising or rent, are calculated as a percentage of our sales. As a percentage of our total sales by Company-operated restaurants, however, occupancy and other operating expenses decreased 0.6 percentage points to 26.1%.

In Brazil, occupancy and other operating expenses increased by U.S.$46.8 million, or 16.6%, to U.S.$328.8 million in 2008. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased 2.3 percentage points to 27.5% due to successful renegotiations with suppliers and a higher volume of transactions that helped reduce fixed costs as a percentage of sales.

In the Caribbean division, occupancy and other operating expenses increased by U.S.$8.6 million, or 17.6%, to U.S.$57.4 million in 2008. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 1.9 percentage points to 26.1% due to a temporary increase in advertising expenditures in Puerto Rico as a percentage of sales and an increase in electricity costs due to higher oil prices.

In NOLAD, occupancy and other operating expenses increased by U.S.$13.5 million, or 29.4%, to U.S.$59.3 million in 2008. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 4.1 percentage points to 28.4% due to higher energy and advertising expenses as a percentage of sales.

In SLAD, occupancy and other operating expenses increased by U.S.$59.8 million, or 42.3%, to U.S.$201.3 million in 2008. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased 0.3 percentage points to 23.5%.

Royalty Fees

Royalty fees increased by U.S.$26.1 million, or 28.1%, to U.S.$119.0 million in 2008, as compared to pro forma 2007, in line with the increase in our sales by Company-operated restaurants.

Franchised Restaurants — Occupancy Expenses

Occupancy expenses from our franchised restaurants increased by U.S.$9.5 million, or 28.7%, to U.S.$42.4 million in 2008, as compared to pro forma 2007, in line with the increase in revenues from franchised restaurants.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by U.S.$24.7 million, or 15.3%, to U.S.$186.0 million in 2008, as compared to pro forma 2007. The increase was primarily attributable to an increase in headcount due to the hiring of new corporate staff in order to cover functions previously handled for us by McDonald's and, to a lesser extent, the appreciation of local currencies against the U.S. dollar.

Other Operating Expenses, Net

Other operating expenses, net decreased by U.S.$3.0 million, or 10.4%, to U.S.$26.1 million in 2008, as compared to pro forma 2007. The decrease was primarily attributable to higher gains on the sale of property and equipment and on increased rental income for excess properties, partially offset by lower results from our third-party distribution centers.

Operating Income

	Pro Forma for the Fiscal Year Ended December 31, 2007	For the Fiscal Year Ended December 31, 2008	% Increase (Decrease)
	(in thousands of U.S. dollars)		
Brazil	U.S. $34,115	U.S. $111,318	226.3%
Caribbean division	17,897	9,100	(49.2)
NOLAD	15,597	7,987	(48.8)
SLAD	56,126	114,411	103.8
Corporate	(9,609)	(20,508)	113.4
TOTAL	**114,126**	**222,308**	**94.8**

Operating income increased by U.S.$108.2 million, or 94.8%, to U.S.$222.3 million in 2008, as compared to pro forma 2007.

Net Interest Expense

Net interest expense decreased by U.S.$3.9 million during 2008, as compared to pro forma 2007, primarily due to a lower LIBOR paid on our long-term debt. The interest expense to average outstanding debt ratios under the credit agreement for 2008 and 2007 were approximately 4.6% and 6.2%, respectively.

Loss on Cross-Currency Swap Agreements

Loss on cross-currency swap agreements decreased by U.S.$11.1 million, or 80.8%, to U.S.$2.6 million in 2008, as compared to pro forma 2007, primarily due to a one time swap loss of U.S.$13.7 million in 2007 resulting from a cross-currency swap agreement entered into in August 2007 to convert a portion of the senior U.S. dollar denominated debt (U.S.$100 million at LIBOR plus 60 basis points) to a Brazilian real-denominated fixed rate debt (R$195.3 million at a fixed rate of 11.5%). This swap agreement was amended in October 2007 to reflect the new market conditions for the following three-month period (R$180.5 million at a fixed rate of 10.18%) and was settled before its maturity in January 2008. The loss on cross-currency swap agreements in 2008 in the amount of U.S.$2.6 million was due to the cross-currency swap agreements entered into in December 2007.

Foreign Currency Exchange (Loss) Gain

Foreign currency exchange results decreased by U.S.$105.7 million, or 343.2%, from a gain of U.S.$30.8 million in 2007 to a loss of U.S.$74.9 million in 2008, as compared to pro forma 2007. Our purchases of U.S. dollars in a bond-based exchange process in Venezuela caused an increase in foreign currency losses of U.S.$5.9 million while the effect of year-end exchange rate fluctuations on other foreign currency denominated assets and liabilities represented U.S.$99.8 million in increased losses. The latter were primarily generated from the U.S. dollar-denominated intercompany debt of our Brazilian subsidiaries, which caused a loss in 2008 as compared to a gain in 2007.

Other Non-Operating Expenses, Net

Other non-operating expenses, net increased by U.S.$1.6 million to U.S.$1.9 million in 2008, as compared to pro forma 2007, due to the accrual of asset taxes in Colombia and Uruguay.

Income Tax Expense

Income tax expense decreased by U.S.$47.4 million, or 95.0%, to U.S.$2.5 million in 2008, as compared to pro forma 2007. The income tax expense in 2008 was affected by a partial reversal of the valuation allowance of U.S.$75.9 million in Brazil.

Net Income Attributable to Non-Controlling Interests

Net income attributable to non-controlling interests increased by U.S.$1.3 million to U.S.$1.4 million in 2008, as compared to pro forma 2007.

Net Income Attributable to Arcos Dorados B.V.

As a result of the foregoing, net income attributable to Arcos Dorados B.V. increased by U.S.$62.0 million, or 122.2%, to U.S.$112.7 million in 2008, as compared to pro forma 2007.

INDUSTRY

Latin American and Caribbean Food Service Industry

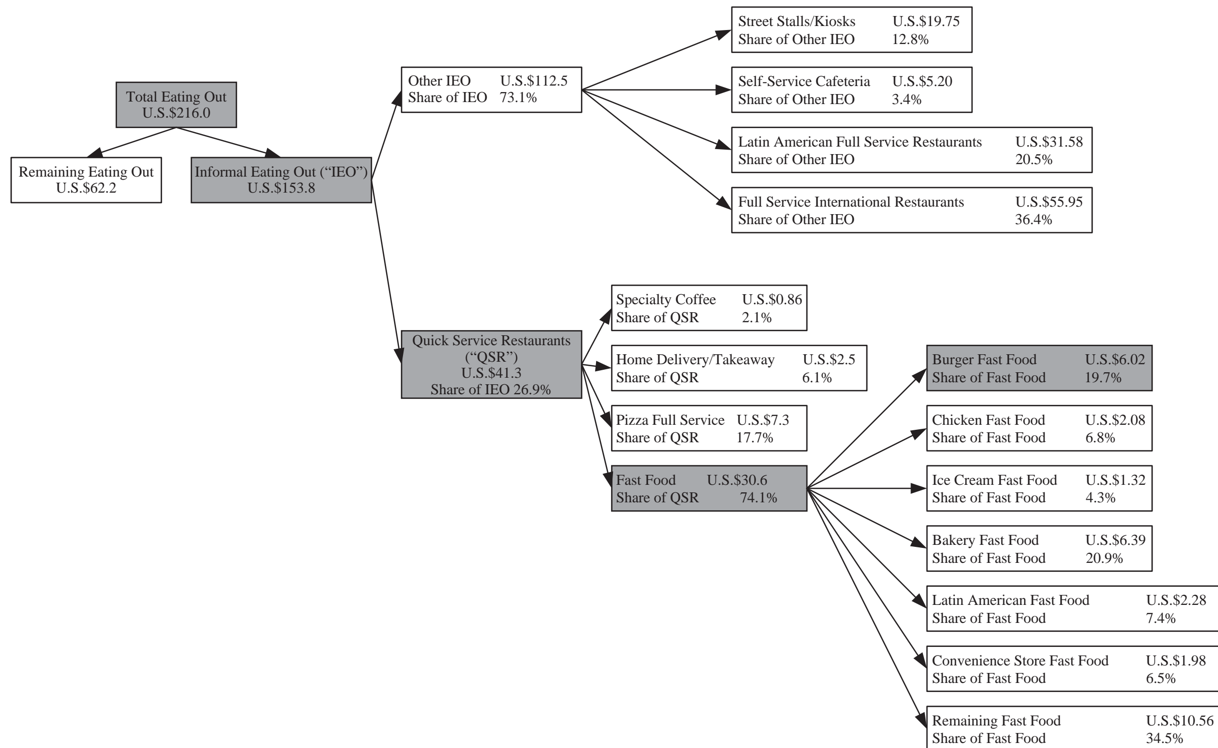
The Latin American and Caribbean food service industry offers a wide variety of away-from-home eating options at commercial food and drink establishments. Most of these establishments remain independent, family-owned businesses, but food contractors and international companies have rapidly been gaining market share. According to Euromonitor, the total food service industry in Latin America and the Caribbean is expected to be worth approximately U.S.$216 billion in sales in 2009.

The Latin American and Caribbean food service industry can be divided into two segments: (i) the informal eating out ("IEO") segment which, according to Euromonitor, is expected to be worth U.S.$153.8 billion in sales in 2009, and (ii) the remaining eating out segment, which includes cafes and bars (other than specialty coffee shops) and is expected to be worth U.S.$62.2 billion in sales in 2009, according to Euromonitor. In Latin America and the Caribbean, the remaining eating out segment is dominated by small, local food service providers who independently own and operate cafes and bars. However, multinationals such as Starbucks and our McCafés have recently had success in penetrating the specialty coffee market. It is for this reason that we treat specialty coffee shops as part of the IEO segment rather than in the remaining eating out segment.

The IEO segment of the Latin American and Caribbean food service industry can itself be divided into five sub-segments: (i) street vendors, stalls and kiosks, which refers to small, mobile, independently owned and operated outdoor food service providers with a limited product offering, (ii) self-service cafeterias, (iii) full-service Latin American restaurants serving traditional Latin American cuisine in a formal or a casual setting, (iv) full-service international restaurants serving a variety of international and fusion cuisines in a formal or a casual setting, and (v) QSRs that generally offer faster service and more affordable prices than other IEO segments. QSRs include internationally recognized brands such as McDonald's, Burger King, Pizza Hut and KFC. We consider ourselves to be part of the QSR segment and, correspondingly, of the IEO segment. According to Euromonitor, during the period from 2004 to 2008, the Latin American and Caribbean IEO segment grew by 72.3%, and Euromonitor estimates it will grow at a compound annual growth rate of 3% over the next five years.

The QSR segment of the Latin American and Caribbean food service industry can be further divided into four sub-segments: (i) specialty coffee shops, such as Starbucks and our McCafés, where vendors serve a broad variety of coffee types and related food items such as biscuits, cakes and sandwiches, (ii) delivery/take-away establishments that do not provide facilities for customers to eat on the restaurant's premises, (iii) full-service pizza restaurants such as Pizza Hut (which may additionally offer delivery/take-away services), and (iv) fast food restaurants that generally provide customers with a standardized menu and rapidly prepared food items. Fast food restaurants are categorized into those that focus primarily on burger items, such as us and Burger King, chicken products such as KFC, ice cream goods such as Helados Bing, bakery products such as Dunkin' Donuts, Latin American and Tex-Mex food items such as Tortas Locas, convenience stores such as Servicompras, and remaining types of fast food restaurants focusing on other types of products, such as fish or soups.

Below is a chart showing the Latin American and Caribbean food service industry broken down by segment and showing the expected value of each segment by sales (in billions of U.S. dollars) for 2009 as well as its percentage share of the corresponding food service market:



Source: Euromonitor Forecast 2009

The Latin American and Caribbean Quick Service Restaurant Segment

We operate in the QSR segment. In Latin America and the Caribbean, the QSR segment has benefited from the region's increasing modernization, as people in more densely populated areas adopt lifestyles that increasingly seek convenience, speed and value.

Euromonitor estimates that during the period from 2004 to 2008, the QSR segment in Latin America and the Caribbean grew by 92.2% in real terms, compared with 79.2% growth, in real terms, for the Latin American and Caribbean food service industry as a whole. Euromonitor estimates that the QSR segment will be worth approximately U.S.$41.3 billion in annual sales in 2009, representing approximately 27% of the IEO segment.

With regards to future growth, Euromonitor estimates that during the period from 2009 to 2013, the QSR segment in Latin America and the Caribbean will grow by 16.5% in real terms, compared with 11.4% growth, in real terms, for the Latin American and Caribbean food service industry as a whole. Euromonitor estimates that the QSR segment will be worth approximately U.S.$48.1 billion in sales by 2013, representing approximately 28% of the IEO segment.

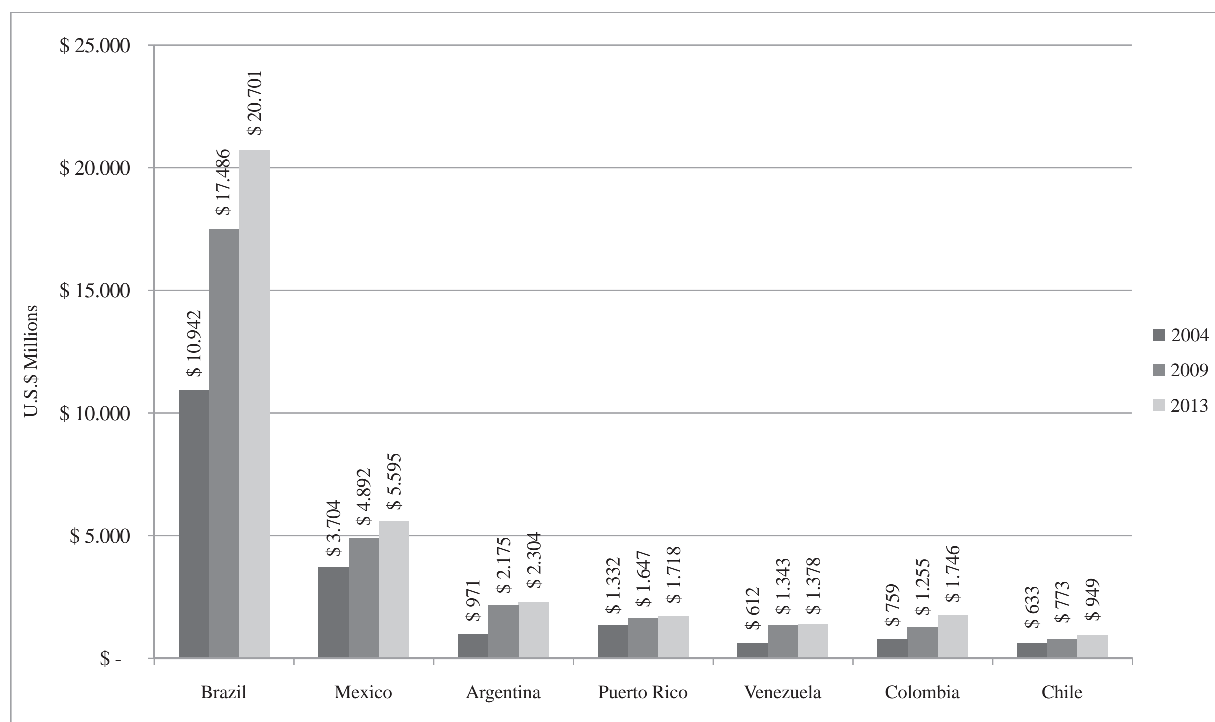
Euromonitor estimates that fast food restaurants have captured 74.1% of market share within the QSR segment due to the popularity of standardized menus, the consistency of products and services, cost efficient operating systems, the development of products targeted to meet consumer demands, economies of scale, convenience, speed and value. The growth of fast food restaurants is expected to outpace the growth of the QSR segment generally in the near future, as fast food restaurants tend to be better capitalized and are therefore able to expand through additional restaurant openings and innovation, and as consumers increasingly prefer the convenience and reliability associated with a well-established brand.

Euromonitor estimates that the fast food restaurant sub-segment in Latin America and the Caribbean grew at a rate of 94.3% during the period from 2004 to 2008. We expect that fast food restaurants will increasingly gain market share as chain restaurants are better equipped to meet the increasingly stringent health and safety standards that we believe will be imposed in Latin America and the Caribbean.

Key Fast Food Markets in Latin America and the Caribbean

Within the region, Brazil, Mexico, Argentina, Puerto Rico, Venezuela, Colombia and Chile are the primary markets for the QSR segment. According to Euromonitor, from 2009 to 2012, the fast food restaurant sub-segment is expected to grow by 18% in Brazil, 14% in Mexico, 6% in Argentina, 4% in Puerto Rico, 3% in Venezuela, 39% in Colombia and 23% in Chile.

Below is a chart showing actual and expected growth of fast food restaurants in several Latin American and Caribbean countries from 2004 to 2013:



	Brazil	Mexico	Argentina	Puerto Rico	Venezuela	Colombia	Chile
% Growth in Fast Food '04 — '09	60%	32%	124%	24%	119%	65%	22%
% Growth in Fast Food '09 — '13	18%	14%	6%	4%	3%	39%	23%

Source: Euromonitor Forecast 2009

QSR Growth Potential

The potential for growth of the QSR segment in Latin America and the Caribbean is highly correlated to the consumption and purchasing power of the general population. This in turn is driven by the absolute gross domestic product ("GDP") per capita in Latin America and the Caribbean. In addition, the measurement of the guest count per million inhabitants and the "average check" — the average amount spent by a customer during a visit — relative to GDP per capita indicates the potential for growth in the QSR segment in the region.

Our financial condition and operational results are influenced by macroeconomic developments in Latin America and the Caribbean. Macroeconomic conditions in these regions have shown improvement in many of the countries in which we operate, including significant growth in GDP, declining unemployment, outperformance of developed markets, stabilizing inflation and currency exchange rates, increase of foreign investment, expanding purchasing power and higher levels of disposable income.

The table below sets forth real GDP growth, real GDP per capita growth, inflation, unemployment, country risk premium, U.S. dollar exchange rate, and sovereign ratings for the periods and Latin American and Caribbean countries indicated.

	Argentina	Brazil	Mexico	Puerto Rico	Venezuela
Real GDP growth (Year-over-year)					
2006	8.5%	4.0%	5.1%	(0.1)%	10.3%
2007	8.7	5.7	3.3%	(1.4)	8.4
2008	6.8	5.1	1.3%	(1.4)	4.8
1Q09	2.0	(1.8)	(8.0)%	–	0.5
GDP per capita growth (Year-over-year)					
2006	7.5%	2.5%	3.9%	(0.6)%	8.4%
2007	7.6	4.1	2.2%	(1.8)	6.6
2008	6.0	3.5	0.2%	(1.7)	3.7
Inflation					
2006	9.8%	3.1%	4.1%	8.3%	17.0%
2007	8.5	4.5	3.8%	5.2	22.5
2008	7.2	5.9	6.5%	6.4	30.9
1H09	2.7	2.6	1.3%	–	10.8
Unemployment					
2006	8.7%	8.4%	3.5%	11.7%	8.4%
2007	7.5	7.5	3.4%	10.4	6.2
2008	7.3	6.8	4.3%	11.0	6.1
1H09	8.8	8.1	12.8%	–	7.8
Country risk premium[1]					
2006	384.0	214.1	91.2	–	230.2
2007	404.9	131.0	66.1	–	354.4
2008	1,433.6	221.1	191.9	–	1,013.8
1H09	2,825.4	318.1	340.1	–	1,930.7
End of period U.S. dollar exchange rate					
2006	3.06	2.14	10.80	–	2.15
2007	3.15	1.78	10.90	–	2.15
2008	3.45	2.31	13.67	–	2.15
1H09	3.80	1.95	13.19	–	2.15
Sovereign rating[2]	**B3/B−/B−**	**Ba1/BBB−/BBB−**	**Baa1/BBB+/BBB+**	**–**	**B2/BB−/B+**

Sources: Argentina Central Bank, Brazil Central Bank, Brazilian Institute of Geography and Statistics ("IBGE"), Mexico Central Bank, Venezuela Central Bank, National Institute of Statistics and Census of Argentina ("INDEC"), National Institute of Statistics and Geography of Mexico ("INEGI"), National Statistics Institute of Spain ("INE"), Global Insight, Bloomberg

Notes

(1) Average for the period of the Credit Default Swap for each country's 10 year domestic sovereign bond.

(2) Sovereign credit rating for long-term debt in foreign currency.

According to the International Monetary Fund's World Economic Outlook Database, for 2008, GDP per capita was estimated to be U.S.$8,197 in Brazil, U.S.$10,235 in Mexico. U.S.$8,214 in Argentina and U.S.$11,388 in Venezuela. For Puerto Rico, the CIA World Factbook estimates that GDP per capita was approximately U.S.$17,800 for 2008. The differential in the GDP per capita translates directly into a difference in the average check and the guest count per million inhabitants.

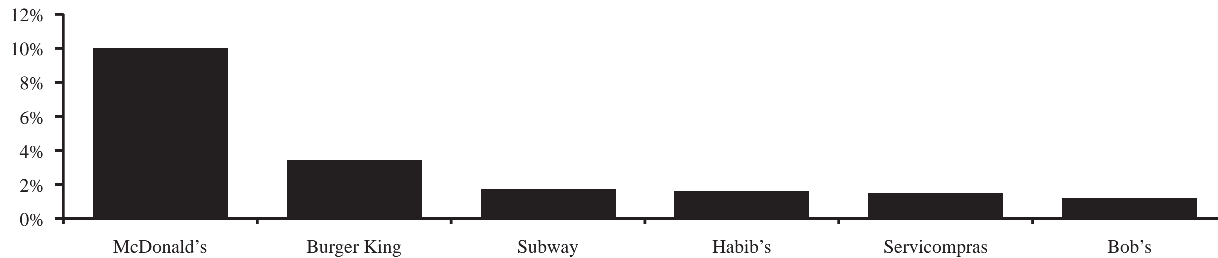
QSR Customer Profile and Behavior

The population demographics in Latin America and the Caribbean favor the QSR segment. The region's demographics are heavily weighted towards young adults and families with children, the principal target customers of QSRs. In addition, as countries in Latin America and the Caribbean experience improving macroeconomic conditions, consumers benefit from expanding purchasing power, greater consumer financing and higher levels of disposable income, which serve to increase consumer demand for food convenience. The confluence of these favorable factors throughout the region, including growth in our target demographic market, offers an opportunity of profitable growth and the ability to serve an ever-increasing number of customers.

Major Fast Food Brands in Latin America and the Caribbean

There are four major multinational brands that have positioned themselves as market leaders within the fast food restaurant sub-segment. Those brands are McDonald's, Burger King, Subway and KFC. The McDonald's brand is the undisputed leader among these companies with almost three times the sales of Burger King, its closest competitor, on a regional basis and with more sales than its next four competitors combined. In addition to these multinational brands, some strong local brands like Habib's, Bob's, Servicompras and Giraffa's exist in certain key markets.

The chart below indicates the percentage market share held by certain major brands in the QSR segment in Latin America and the Caribbean for 2008:



Source: Euromonitor; Top Fast Food Brands. Historic Figures 2008.

McDonald's

McDonald's is the world's largest QSR company, as measured by the number of restaurants and systemwide sales. As of June 30, 2009, McDonald's owned or franchised 32,158 restaurants in 118 countries and U.S. territories. Of the total number of McDonald's restaurants globally, 6,357 were company-owned restaurants and 25,801 were franchised restaurants.

McDonald's opened its first restaurant in Latin America and the Caribbean in 1967, in Puerto Rico. As of June 30, 2009, there were 1,773 McDonald's-branded restaurants in Latin America and the Caribbean, of which 1,660 were owned and operated or franchised by us. Out of these 1,660 restaurants, 1,203 were Company-operated restaurants and 457 were franchised restaurants.

Burger King

Burger King is one of the world's largest companies in the QSR segment, as measured by number of restaurants and systemwide sales. As of June 30, 2009, there were 11,925 Burger King owned or franchised restaurants in 73 countries and U.S. territories. Out of these 11,925 restaurants, 1,439 were company-owned and 10,496 were franchised.

With 1,078 Burger King restaurants throughout Latin America and the Caribbean as of June 30, 2009, Burger King is McDonald's largest competitor with income from operations in Latin America and the Caribbean of U.S.$37.8 million in the fiscal year ended June 30, 2009.

Burger King opened its first international franchise restaurant in the region in 1963, in Puerto Rico, and its strong presence in Latin America and the Caribbean is primarily concentrated in Mexico and Puerto Rico, with 413 and 175 restaurants in each country, respectively, as of June 30, 2009.

KFC

KFC is owned by YUM! Brands, the world's largest QSR company as measured by the number of system units. According to Euromonitor, Yum! Brands had 36,296 units in more than 110 countries as of June 30, 2009, including key Latin American and Caribbean markets such as Mexico, Puerto Rico and Chile. YUM! Brands' strongest brand in Latin America and the Caribbean is KFC, of which there were 880 restaurants in the region as of June 30, 2009.

Through its five brands, KFC, Pizza Hut, Taco Bell, Long John Silver and A&W, YUM! Brands develops, operates, franchises and licenses a worldwide system of restaurants.

Subway

Subway has over 30,086 locations in 91 countries worldwide. As of June 30, 2009, there were approximately 1,249 Subway restaurants in Latin America and the Caribbean. All Subway restaurants are operated by franchisees. Only one company-owned restaurant exists as a testing facility.

Subway focuses on three key markets in Latin America and the Caribbean: Mexico, Brazil and Puerto Rico. As of June 30, 2009, there were 207 restaurants in Mexico, 307 restaurants in Brazil and 224 restaurants in Puerto Rico.

Local Competitors

Although the QSR segment in Latin America and the Caribbean is dominated by large multinational brands, there are important local competitors.

There are two local fast food restaurant chains based in Brazil that are significant in terms of sales volume within Latin America: Habib's and Bob's. Unlike in other Latin American and Caribbean markets, these strong local brands compete effectively with multinational QSRs. Habib's is a local fast food restaurant chain that focuses on Middle Eastern food. According to Euromonitor, as of December 31, 2008, Habib's was the largest local QSR operator in Brazil, with 305 restaurants and an estimated U.S.$487.2 million in sales for 2008.

Bob's, formally called BFFC do Brasil, focuses on the burger product line and is the second largest local fast food restaurant chain in Brazil. According to Euromonitor, as of December 31, 2008, Bob's had 437 restaurants and U.S.$334.8 million in sales for 2008. In 2007, Bob's began operating KFC restaurants in Rio de Janeiro as a Yum! Brands franchisee and, in 2008, Bob's began operating as a franchisee of Pizza Hut, another Yum! Brands restaurant. Bob's also entered into an agreement with Doggis, a leading hot dog fast food chain in Chile, whereby Bob's operates Doggis franchised hot-dog stores in Brazil while Doggis develops Bob's brand in Chile. In addition to Habib's and Bob's, Alsea is a publicly traded multi-brand franchisee. As of December 31, 2008, Alsea operated

181 Burger King franchises, 605 Domino's Pizza franchises and 308 Starbucks franchises in Mexico, Argentina, Chile, Colombia and Brasil.

We compete with smaller local chains in several of our key markets. In Venezuela, we compete with Arturo's, and in Central America we compete with Pollo Campero; both of which are restaurant chains that specialize in chicken products. In Argentina, we compete with Mostaza, a hamburger and sandwich chain, and in Mexico we compete with Sanborns, a chain of department stores with in-store restaurants, and VIPS, a full-service restaurant chain.

OUR RELATIONSHIP WITH MCDONALD'S

We received exclusive master franchising rights from McDonald's for the Territories in August 2007 when Mr. Staton, our Chairman, CEO and controlling shareholder, Gávea Investimentos, Capital International Private Equity Funds and DLJ South American Partners purchased McDonald's LatAm business for U.S.$698.1 million (including U.S.$18.7 million of acquisition costs). Prior to the Acquisition, Mr. Staton had been McDonald's joint venture partner in Argentina for over 20 years and had served as President of McDonald's South Latin America division since 2004.

McDonald's has a longstanding presence in Latin America and the Caribbean dating to the opening of its first restaurant in Puerto Rico in 1967. Since then, McDonald's expanded its footprint across the region as consumer markets and opportunities arose, opening its first restaurants in Brazil in 1979, in Mexico and Venezuela in 1985 and in Argentina in 1986. McDonald's longstanding presence in the most relevant Latin American and Caribbean markets was one of the bases of its success, and allowed it to consolidate its brand recognition throughout the region.

We hold our McDonald's franchise rights pursuant to the MFA for all of the Territories except Brazil, executed on August 3, 2007, entered into by us, our wholly owned subsidiary LatAm, LLC (the "Master Franchisee"), certain subsidiaries of the Master Franchisee, Arcos Dorados Cooperatieve, Arcos Dorados Limited and Los Laureles, Ltd. (these three entities collectively, the "Owner Entities") and McDonald's. On the same date, we, our wholly owned subsidiary Arcos Dourados Comercio de Alimentos Ltda. (the "Brazilian Master Franchisee), and McDonald's entered into the separate, but substantially identical, Brazilian MFA.

The MFAs set forth McDonald's and our rights and obligations in respect of the ownership and operation of the McDonald's-branded restaurants located in the Territories. The MFAs do not include the following Latin American and Caribbean countries and territories, among others: Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bolivia, the British Virgin Islands, the Cayman Islands, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Paraguay, Suriname, St. Barthélemy, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Trinidad & Tobago, Turks & Caicos Islands and the U.S. Virgin Islands, with the exception of St. Croix and St. Thomas.

The material provisions of the MFAs are set forth below.

Term

The initial term of the franchise granted pursuant to the MFAs is 20 years for all of the Territories other than French Guiana, Guadeloupe and Martinique. After the expiration of the initial term, McDonald's may grant us an option to extend the term of the MFAs with respect to all Territories for an additional period of 10 years. The initial term of the franchise for French Guiana, Guadeloupe and Martinique is 10 years. We have the right to extend the term of the MFA with respect to French Guiana, Guadeloupe and Martinique for an additional term of 10 years.

Our Right to Own and Operate McDonald's-Branded Restaurants

Under the MFAs, we have the exclusive right to (i) own and operate, directly or indirectly, McDonald's restaurants in the Territories, (ii) license and grant franchises with respect to McDonald's-branded restaurants in the Territories, (iii) adopt and use, and to grant the right and license to franchisees to adopt and use, the McDonald's operations system in the McDonald's restaurants located in the Territories, (iv) advertise to the public that we are a franchisee of McDonald's, and (v) to use, and to sublicense to our franchisees the right to use the McDonald's intellectual property solely in connection with the development, ownership, operation, promotion and management of our restaurants in each Territory, and to engage in related advertising, promotion and marketing programs and activities.

Under the MFAs, McDonald's cannot grant the rights described in clauses (i), (ii) and (iii) of the preceding paragraph to any other person while the MFAs are in effect. Notwithstanding the foregoing, McDonald's has reserved, with respect to the McDonald's restaurants located in the Territories, all rights not specifically granted to us, including the right, directly or indirectly, to (i) use and sublicense the McDonald's intellectual property for all other purposes and means of distribution, (ii) sell, promote or license the sale of products or services under the

intellectual property, and (iii) use the intellectual property in connection with all other activities not prohibited by the MFAs.

In addition, under the MFAs, McDonald's provides us with know-how and new developments, techniques and improvements in the areas of restaurant management, food preparation and service, and operations manuals that contain the standards and procedures necessary for the successful operation of McDonald's-branded restaurants.

Franchise Fees

Under the MFAs, we are responsible for the payment to McDonald's of initial franchise fees, continuing franchise fees and transfer fees.

The initial franchise fee is payable upon the opening of a new restaurant and the extension of the term of any existing franchise agreement. For Company-operated restaurants, the initial fee is based on the term remaining under the MFAs for the country in which the restaurant is located. For franchised restaurants, we receive an initial fee from the franchisee based on the term of the franchise agreement (generally 20 years), and pay 50% of this fee to McDonald's.

The continuing franchise fee is paid, with respect to each calendar month, to McDonald's in an amount generally equal to 7% of the U.S. dollar equivalent of the gross sales, as defined therein, of each of the McDonald's restaurants in the Territories for such calendar month, minus, as applicable, a brand building adjustment. During the first 10 years of the MFAs, the brand building adjustment is 2% of the gross sales, for a net continuing franchise fee payment of 5% of the gross sales. During the years 11 through 15 of the MFAs, the brand building adjustment will be 1% of the gross sales, for a net continuing franchise fee payment of 6%; and the brand building adjustment will be 0% thereafter, for a net continuing franchise fee payment of 7% of the gross sales. We are responsible for collecting the continuing franchise fee from our franchisees and must pay such amount to McDonald's. In the event that a franchisee does not pay the full amount of the fee, we are responsible for any resulting shortfall. See "Risk Factors — Certain Factors Relating to Our Business — Our financial condition and results of operations depend, to a certain extent, on the financial condition of our franchisees and their ability to fulfill their obligations under their franchise agreements."

In the event of a voluntary or involuntary transfer of any of the McDonald's restaurants located in the Territories to a person other than a subsidiary of ours or an affiliate of one of our franchisees, we must charge a transfer fee of not less than U.S.$10,000, and must pay to McDonald's an amount equal to 50% of the fee charged.

All payments to McDonald's must be made in U.S. dollars, but are based on local currency exchange rates at the time of such payments.

Certain Obligations and Limitations

Business of the Company and the Parent Entities

In addition to the payment of franchise fees described above, we and the Parent Entities are subject to a variety of obligations and restrictions under the MFAs.

Under the MFAs, we cannot, directly or indirectly, enter into any other QSR business or any business other than the operation of McDonald's-branded restaurants in the Territories. Neither we nor any of the Parent Entities can engage in a business other than holding, directly or indirectly, our equity interests. In addition, neither we nor any of the Parent Entities can engage in any activity or participate in any business that competes with McDonald's business.

Under the MFAs, we are required to own, directly or indirectly, 100% of the equity interests of our subsidiaries and cannot enter into any partnership, joint venture or similar arrangement without McDonald's consent. In addition, at least 50% of all McDonald's-branded restaurants in the Territories must be Company-operated restaurants.

We can effect an initial public offering ("IPO") at any time after August 3, 2011 provided that (i) there has been no material breach of the MFA by LatAm, LLC in the preceding 24 months, (ii) we have achieved at least 95% of the

targeted openings in the preceding two calendar years under our restaurant opening plan, (iii) we have entered into employment agreements with each of our CEO, CFO and COO on customary terms and conditions with a minimum term of two years, (iv) the IPO is effected with respect to no more than 60% of Arcos Dorados Limited's economic interests, (v) at least 33% of all proceeds from the IPO received shall be either received by LatAm, LLC or reinvested in its business, and (vi) Mr. Staton retains a voting interest of at least 51% in Arcos Dorados Limited.

Real Estate

Under the MFAs, we must own or lease the real estate property where all of our Company-operated restaurants are located. We cannot transfer or encumber any of the real estate properties that we own without McDonald's consent. Due to the geographic and commercial importance of certain restaurants, we may not sell certain properties without the prior written consent of McDonald's. For certain of these selected properties, we have already perfected a first priority lien in favor of McDonald's.

Under the MFAs, at least 50% of the total number of McDonald's-branded restaurants in each of the Territories must be located on real estate property that we own or lease, and 90% of the McDonald's-branded restaurants on an systemwide basis must be located on real estate property that we own or lease.

In addition, the MFA lists 25 restaurants that we are prohibited from selling or otherwise transferring without McDonald's consent.

Transfer of Equity Interests or Significant Assets

Under the MFAs, neither we nor any of the Parent Entities can transfer or pledge the equity interests of any of our subsidiaries, or any significant portion of our assets, without McDonald's consent.

Operational Control

Under the MFAs, McDonald's is entitled to approve the appointment of our chief executive officer and our chief operating officer.

In the event that McDonald's modifies its standards applicable to technology and related equipment, we must purchase any new or modified technology, software, hardware or equipment necessary to comply with the modified standards.

Restaurant Opening Plan and Reinvestment Plan

Under the MFAs, we are required to comply with an initial three-year restaurant opening plan and an initial three-year reinvestment plan. Under the initial restaurant opening plan, we were required to open 43 restaurants in the period from the Acquisition to the end of 2008, 54 restaurants in 2009 and 63 restaurants in 2010. Under the initial reinvestment plan, we are required to reinvest U.S.$45.6 million from August 2007 to July 2008, U.S.$47.4 million from August 2008 to July 2009 and U.S.$49.6 million from August 2009 to July 2010 reimaging and upgrading our restaurants. Under both plans, we are allowed to carry over into a succeeding period any amount by which we have surpassed such plan's requirements. As of June 30, 2009, we were well ahead of our restaurant opening commitments, having opened 118 restaurants since the Acquisition. Therefore, pursuant to the MFAs, we must open at least 42 additional new restaurants before December 2010. As of August 3, 2009, we had met our reinvestment commitments for years one and two and have carried over approximately U.S.$40 million towards our reinvestment commitment for year three of the MFAs.

Prior to the expiration of the initial restaurant opening and reinvestment plans, we must agree with McDonald's on subsequent three-year restaurant opening and reinvestment plans, and must continue to do so every three years throughout the term of the MFAs. In the event we are unable to reach agreement on a subsequent plan prior to the expiration of the existing plan, the MFAs provide for an automatic increase of 20% in the required amount of restaurant openings and reinvestments as compared to the then-existing plan.

Advertising and Promotion Plan

Under the MFAs, we are required to spend at least 5% of our gross sales on advertisement and promotion activities. Our advertisement and promotion activities are guided by our overall marketing plan, which identifies the key strategic platforms that we aim to leverage in order to drive sales.

Insurance

Under the MFAs, we are required to acquire and maintain a variety of insurance policies with certain minimum coverage limits, including commercial general liability, workers compensation, "all risk" property and business interruption insurance, among others. We are currently in compliance with such requirements.

Call Option Right and Security Interest in Equity Interests of the Company

Under the MFAs, McDonald's has the right (the "Call Option") to acquire all of the equity interests of the Master Franchisee and the Brazilian Master Franchisee upon: (i) the expiration of the initial term of the MFAs on August 2, 2027 if the initial term is not extended, (ii) the occurrence of a material breach of the MFAs or (iii) during the period of 12 months following the earlier of (x) the 18th month anniversary of the death or permanent incapacity of Mr. Staton or (y) the receipt by McDonald's of notice from Mr. Staton's heirs that they have elected to have such period of 12 months commence as of the date specified in such notice. Upon the occurrence of a material breach, McDonald's also has the right to acquire all of the equity interests of any of our subsidiaries operating in any of the Territories affected by such material breach or to which such material breach may be attributable.

If McDonald's exercises the Call Option upon the occurrence of the events described in clause (i) or (iii) of the preceding paragraph, it must pay a purchase price to us equal to 100% of the fair market value of the equity interest of the entities so acquired. If the Call Option is exercised upon the occurrence of a material breach, however, the purchase price is reduced to 80% of the fair market value. The purchase price paid by McDonald's upon exercise of the Call Option is, in all events, reduced by the amount of debt and contingencies and increased by the amount of cash attributable to the entity the equity interests of which are being acquired pursuant to the Call Option. If McDonald's exercises the Call Option with respect to any of our subsidiaries (but not all of them) and the amount of debt and contingencies (minus cash) attributable to the equity interests of such subsidiaries is greater than the fair market value of such equity interests, we must, at our election, either (i) assume such debts and contingencies (minus cash) and deliver the equity interests to McDonald's free of any obligations with respect thereto or (ii) pay to McDonald's the absolute value of such amount. The fair market value of any such equity interests is to be determined by internationally recognized investment banks without taking into consideration the debt, contingencies or cash attributable to such equity interests.

In order to secure McDonald's right to exercise the Call Option, McDonald's was granted a perfected security interest in the equity interests of the Master Franchisee, the Brazilian Master Franchisee and our subsidiaries other than our subsidiaries organized in Costa Rica, Mexico, French Guiana, Guadeloupe and Martinique. The equity interests of our subsidiaries organized in Costa Rica and Mexico were transferred to a trust for the benefit of McDonald's. McDonald's does not have a security interest in the equity interests of our subsidiaries organized in French Guiana, Guadeloupe and Martinique.

The equity interests were transferred to Citibank, N.A., acting as escrow agent. Subject to the terms of the Escrow Agreement and the Intercreditor Agreement, upon McDonald's exercise of the Call Option and its payment of the respective purchase price, the escrow agent must transfer such equity interests, free of any liens or encumbrances, to McDonald's.

Limitations on Indebtedness

Under the MFAs and related credit documents, we cannot incur any indebtedness secured by the collateral pledged by us and certain of our subsidiaries in connection with the credit agreement or amend or waive any of the terms related to the collateral, without McDonald's consent. The pledged collateral includes our equity interest, the equity interests of certain of our subsidiaries, certain of our rights under certain of the Acquisition documents, franchise document payment rights, and our intercompany debt and notes.

Under the MFAs, we must maintain a fixed charge coverage ratio (as defined therein) at least equal to 1.25 and a leverage ratio (as defined therein) not in excess of (i) 5.25, from August 3, 2009 until August 2, 2010, (ii) 5.0, from August 3, 2010 until August 2, 2011, (iii) 4.75, from August 3, 2011 until August 2, 2012 and (iv) 4.5, from August 3, 2012 until the MFAs are no longer in effect.

Letter of Credit

As security for the performance of our obligations under the MFAs, we (i) obtained an irrevocable standby letter of credit in favor of McDonald's in an amount of U.S.$65.0 million, issued by Credit Suisse acting as issuing bank through its Cayman Island Branch, and (ii) pledged cash collateral in favor of McDonald's in an amount of U.S.$15.0 million. The letter of credit expires on November 10, 2013.

The letter of credit and reimbursement agreement contains a limited number of customary affirmative and negative covenants. These include limitations on (i) any transfer of the MFAs, (ii) amendment or waiver of the MFAs without the consent of the issuing bank, (iii) our leverage ratio, (iv) taking any action to elect to assume the debt of any of our subsidiaries upon McDonald's exercise of a partial Call Option, (v) our ability to guaranty obligations of our subsidiaries, and (vi) amendments to the credit agreement.

Issuing Bank's Security Interests

The issuing bank has a security interest in certain of our rights under certain Acquisition documents, franchise document payment rights, pledged cash collateral and our intercompany debt notes. In addition, our subsidiaries (other than those organized in Ecuador, French Guiana, Guadeloupe, Martinique and Peru, and certain subsidiaries organized in Argentina, Colombia and Mexico) guaranteed to the issuing bank the full and prompt payment of our obligations under the letter of credit and reimbursement agreement.

Termination

The MFAs automatically terminate without the need for any party to it to take any further action if any type of insolvency or similar proceeding in respect of us or any of the Parent Entities commences.

In the event of the occurrence of certain material breaches, such as if we fail to comply with the reinvestment or restaurant opening plans, McDonald's has the right to terminate the MFAs.

Upon the termination of the MFAs, McDonald's has the right to acquire all, but not less than all, of our equity interests at fair market value, which is to be calculated by internationally recognized investment banks selected by us and McDonald's. The fair market value of our equity interests shall be calculated in U.S. dollars based on the amount that would be received for our equity interests in an arm's-length transaction between a willing buyer and a willing seller, taking into account the benefits provided by the MFAs.

BUSINESS

Overview

We are the world's largest McDonald's franchisee in terms of systemwide sales and number of restaurants, as of June 30, 2009, operating the largest QSR chain in Latin America and the Caribbean. As of June 30, 2009, we operated or franchised 1,660 McDonald's-branded restaurants, which represented 5.2% of McDonald's total restaurants and 6.4% of McDonald's total franchised restaurants. In 2008 we paid U.S.$119.0 million in royalties to McDonald's. We have the exclusive right to own, operate and grant franchises of McDonald's restaurants in 19 countries and territories in Latin America and the Caribbean, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guyana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, St. Croix, St. Thomas, Uruguay and Venezuela.

We received exclusive master franchising rights from McDonald's for the Territories in August 2007 when we acquired the operations of McDonald's in the Territories. We continue to share branding with McDonald's, and utilize McDonald's core menu items, including the Big Mac, Happy Meal and Quarter Pounder. We also use many of McDonald's operating procedures, while adapting them when we perceive an opportunity to do so, for example by introducing locally relevant menu items. Since the Acquisition we have experienced rapid growth, and have focused on our key success factors of branded affordability, menu variety, convenience and restaurant reinvestment.

We operate McDonald's-branded restaurants under two different operating formats, Company-operated restaurants and franchised restaurants. As of June 30, 2009, of our 1,660 McDonald's-branded restaurants in the Territories, 1,203 (or 72%) were Company-operated restaurants and 457 (or 28%) were franchised restaurants. We generate revenues primarily from two sources: sales by Company-operated restaurants and revenues from franchised restaurants that primarily consist of rental income that is generally based on the greater of a flat fee or a percentage of sales reported by franchised restaurants. Our net income for the year ended December 31, 2008 was U.S.$114.1 million, a 124.4% increase over 2007 (on a pro forma basis), and our Adjusted EBITDA for the year ended December 31, 2008 was U.S.$288.1 million, a 77.0% increase over 2007 (on a pro forma basis).

Our business has grown dramatically in recent years. For example, our consolidated net revenues increased 27.7% from 2007 (on a pro forma basis) to U.S.$2,606.8 million in 2008. We have increased our footprint by opening 88 Company-operated restaurants and 41 franchised restaurants in existing and new markets within the Territories in the period from the Acquisition through June 30, 2009. We have grown organically by increasing comparable store sales in the Territories by 20.7% in the year ended December 31, 2008 as compared to 2007 (on a pro forma basis).

Our operations are divided into four geographical divisions: Brazil; the Caribbean division, consisting of Aruba, Curaçao, French Guyana, Guadeloupe, Martinique, Puerto Rico, St. Croix and St. Thomas; NOLAD, consisting of Costa Rica, Mexico and Panama; and SLAD, consisting of Argentina, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela. We remain close to consumers by managing operations at the local level, including implementing recruiting centers, conducting marketing campaigns and promotions, monitoring consumer satisfaction and menu management, and we leverage our size by conducting administrative and strategic functions at either the divisional level or our headquarters, as appropriate. As of June 30, 2009, 34% of our restaurants were located in Brazil, 30% in SLAD, 27% in NOLAD and 9% in the Caribbean division.

Our Strengths

We believe the following are our competitive strengths:

- *Superior Brand with Worldwide Recognition.* According to Millward Brown Optimor, the McDonald's brand is one of the top ten most widely recognized consumer brands in the world and, according to Euromonitor, it is one of the most widely recognized consumer brands in Latin America and the Caribbean. We believe that in the Territories McDonald's has a reputation for providing high quality food in a comfortable setting at affordable prices.
- *Market Share Leader in the Region.* According to Euromonitor, in 2008 we had the leading market share in the region with 10% of the fast food sub-segment based on systemwide sales, almost three times the market

share of our closest competitor. We believe that our continued focus on providing high quality food in a family-friendly environment, our product innovation focused on locally relevant initiatives, our successful marketing programs and our reimaging plans will enhance the already strong brand that we enjoy throughout the Territories.

- *Favorable Regional Demographics.* We believe that we are well-positioned to capture the expected growth in the QSR segment from our target demographic market. We view the target demographic for our products as young adults in the 15 to 35 age bracket and families with children, and believe that our products' appeal extends throughout the socioeconomic landscape. According to the United Nations Economic Commission for Latin America and the Caribbean, the Territories will represent a market of approximately 578.3 million people by 2010, of which approximately 29% are under 14 years old and 47% are under 25 years old. This is a significantly younger population than that observed in the most developed countries. Furthermore, our target demographic group has in recent years benefited from improvements in macroeconomic conditions in the Territories.

- *Operational Excellence.* We utilize many of the operating procedures used by McDonald's prior to the Acquisition and have adapted these when necessary to better reflect operational requirements in Latin America and the Caribbean. We support our McDonald's-based training programs with an extensive set of quality controls throughout production, processing, and distribution and in our restaurants, including monitoring restaurant managers' performance and using ongoing external customer satisfaction opportunity reports that analyze key operating indicators. In addition, we develop long-term relationships with reliable suppliers who comply with our rigorous quality standards. Such procedures allow us to consistently provide our customers with a high-quality experience in both Company-operated and franchised restaurants across the Territories.

- *We are an Important Part of McDonald's Global Network.* We believe we represent an important sales channel for McDonald's. As of June 30, 2009, our 1,660 restaurants represented 5.2% of McDonald's total restaurants and 6.4% of McDonald's total franchised restaurants, and in 2008 we paid U.S.$119.0 million in royalties to McDonald's. Our systemwide sales represented 5.0% of McDonald's total sales in 2008. We believe our success and the success of our franchisees are in McDonald's best interests, as we represent a capital efficient manner for them of capturing sales and royalties.

- *Geographical Diversification within Latin America and the Caribbean.* Our operations extend throughout Latin America and the Caribbean, including some of the regions' largest markets such as Brazil, Mexico, Argentina, Puerto Rico and Venezuela. This diversification reduces our dependence on any one market and reduces the impact on us from individual countries' economic cycles.

- *Significant Real Estate Portfolio.* We own the land for 508 of our restaurants and the buildings for all but 13 of our restaurants. This land was valued at U.S.$935.9 million as of August 31, 2009 by American Appraisal Argentina, S.A. We believe our property holdings provide a valuable asset base supporting our financial condition and cash generating capacities. In addition, restaurants located on owned real estate generally provide greater cash margins than those located on leased properties and provide us with greater operational flexibility.

- *Experienced Management Team and Stable Shareholder Base.* Our senior management team is led by Mr. Staton, our Chairman, CEO and controlling shareholder. Prior to the Acquisition, Mr. Staton was McDonald's joint venture partner in Argentina for over 20 years and was also president of McDonald's South Latin America division from 2004 until the Acquisition. Our senior management team is comprised of experienced restaurant industry executives almost all of whom have been with McDonald's or with Mr. Staton for over 10 years. We believe that our stable shareholder base and the MFAs' requirement that Mr. Staton retain a significant ownership interest in our company reduces organizational volatility and allows us to consistently pursue our long-term strategic interests.

Our Strategy

We believe there are significant opportunities to enhance our profitability, grow our business and expand our leadership in the Latin American and Caribbean QSR market through the execution of the following strategies:

- *Focus Growth in Selected Countries.* We believe significant opportunities exist to increase our presence and market share in those countries in the region with the best growth prospects and those that are most economically and financially stable, such as Brazil, Colombia, Peru and Costa Rica. Our penetration rate in Latin America and the Caribbean, calculated as the ratio between the number of McDonald's restaurants and gross domestic product purchase power parity (GDP PPP) for each country, is considerably lower than in the United States. In addition, our penetration rates in Brazil, Colombia and Peru are all below the regional average. As countries in the region experience improving macroeconomic conditions, consumers benefit from expanding purchasing power and higher levels of disposable income, which serve to increase consumer demand for food convenience. Our expansion strategy intends to capitalize on the positive economic developments in such markets and the untapped demand to fuel our growth. In addition, increased diversification reduces reliance on any one market, and makes us less vulnerable to the instability and economic variability which may occur in a particular country or countries.

- *Expanded Product Offerings and Marketing.* We intend to continue to develop innovative and locally relevant product offerings, such as breakfast, health-conscious and value items, to increase restaurant traffic and expand our customer base. We intend to support these product offerings with our restaurant reimaging and brand extension plans and by leveraging the global marketing initiatives led by McDonald's, such as the World Cup and Olympic Games sponsorships, and participation in various movie promotions. We believe these branding events provide a cost-effective manner to increase our market recognition.

- *Restaurant Reimaging and Brand Extension.* We are undertaking an extensive restaurant reimaging and brand extension program throughout the Territories. Our reimaging efforts focus on remodeling existing restaurants to create an inviting, contemporary and highly aspirational environment. We seek to obtain an attractive return on investment and an estimated 10% increase in sales from our reimaging efforts. As of June 30, 2009, we have completed the reimaging of 210 of our 1,660 restaurants. Our brand extension efforts focus on the development of McCafés and Dessert Centers. We believe McCafés attract new customers, differentiate the McDonald's brand and increase traffic in existing restaurants, while Dessert Centers provide a low-cost method of adding value to our customers' experience and increasing our cash margins. In the six months ended June 30, 2009, we opened 22 McCafés and 89 Dessert Centers. We believe our restaurant reimaging and brand extension program leverages McDonald's brand relevance and competitive position to generate growth.

- *Realize Cost Savings Related to Operating Efficiencies.* We are focused on effectively streamlining our operations by taking advantage of cost reduction opportunities at the corporate and operating level, including through the expansion of our shared service center, which provides centralized administrative services such as payroll, accounts payable and accounts receivable. Our operation of distribution centers in Argentina, Chile, Mexico and Venezuela optimizes our supply chain by taking advantage of synergies and economies of scale. In addition, we intend to further develop and increase our use of local suppliers where appropriate to reduce importation and transportation costs as well as the volatility of our supply costs. We continue to leverage our operating scale by centralizing our marketing and strategic operations, including menu management, Happy Meal promotions and reimaging designs, without losing sight of the need to cater to local preferences.

Our History and Relationship with McDonald's

McDonald's has a longstanding presence in Latin America and the Caribbean dating to the opening of its first restaurant in Puerto Rico in 1967. Since then, McDonald's expanded its footprint across the region as consumer markets and opportunities arose, opening its first stores in Brazil in 1979, in Mexico and Venezuela in 1985 and in Argentina in 1986. McDonald's longstanding presence in the most relevant Latin American markets was one of the bases of its success, and allowed it to consolidate its brand recognition throughout the region.

We commenced operations in 2007, as a result of our purchase of McDonald's LatAm business. Woods Staton, our Chairman, CEO and controlling shareholder, was McDonald's joint venture partner in Argentina for over 20 years prior to the Acquisition and also served as President of McDonald's South Latin America division from 2004 until the Acquisition. Our senior management is largely a team that had previously worked in McDonald's LatAm business or with Mr. Staton. In addition to Mr. Staton, our ownership group includes Gávea Investimentos, Capital International Private Equity Funds and DLJ South American Partners; combined, these four shareholders control all of our voting interests and over 99% of our economic interests.

We hold our McDonald's franchise rights pursuant to the MFA and a separate, but substantially identical, Brazilian MFA. The MFAs set forth such terms as the initial 20-year terms of the franchises (the franchises for French Guyana, Guadeloupe and Martinique are for 10-year terms, which we have the option to extend by 10 years), our right to operate and franchise McDonald's-branded restaurants and the franchise fees payable by us to McDonald's.

While we have continued using McDonald's suppliers and practices, we have been able to adapt McDonald's worldwide practices to enhance store by store yields and results. Since the Acquisition, we have undertaken an extensive restaurant reimaging program throughout the Territories, expanded the number of McCafé and Dessert Center locations and focused on adding locally relevant menu items and increasing breakfast options. We have also centralized many of our operations, including our supply chain and distribution functions.

Corporate Structure

Arcos Dorados B.V. is wholly owned by Arcos Dorados Coöperatieve U.A., a cooperative organized under the laws of the Netherlands ("AD Coöperatieve"). AD Coöperatieve is wholly owned by Arcos Dorados Limited, a company organized under the laws of the British Virgin Islands ("AD Limited"). AD Limited is owned by (i) Los Laureles, Ltd., a company organized under the laws of the British Virgin Islands; (ii) Gávea Investment AD, LP, a Cayman Islands limited partnership; (iii) Capital International Private Equity Fund V, L.P. and CGPE V, L.P., both Cayman Islands limited partnerships; and (iv) DLJ South American Partners, L.P., a limited partnership organized under the laws of Ontario, Canada, and DLJSAP Restco Co-Investments LLC, a limited liability company organized under the laws of the state of Delaware.

All of the subsidiary guarantors are wholly owned by Arcos Dorados B.V. The chart below lists the Arcos Dorados B.V. subsidiaries that guarantee the notes.

Argentina
Arcos Dorados B.V.
Arcos Dorados Argentina S.A.
Axis Logística S.A.
Aruba
Arcos Dorados Aruba N.V.
Brazil
Arras Comercio de Alimentos Ltda.
Arcos Dourados Comercio de Alimentos Ltda.
Arcos Dourados Participações Ltda.
Arcos Dourados Restaurantes Ltda.
Chile
Arcos Dorados Restaurantes de Chile, Ltda
Axis Logistica de Chile Ltda.
Inversiones Axis Ltda.
Colombia
Arcos Dorados Colombia S.A.
Arcos Unidos Ltda.
Arcos Unidos, Ltda. y Compañía S.C.A.
Franchise System de Colombia Ltda.
Hamburgue S.A.S.
Costa Rica
Arcos Dorados Costa Rica ADCR, S.A.
Delaware
Administrative Development Company
Arcos Dorados Caribbean Development Corporation
LatAm, LLC
Golden Arch Development Corporation
Logistics and Manufacturing LOMA Co.
Management Operations Company
Restaurant Realty of Mexico, Inc.
Ecuador
Arcgold del Ecuador S.A.
Mexico
Arcos SerCal Inmobiliaria, S. de R.L. de C.V.
Alimentos Centralizados de Mexico, S. de R.L. de C.V.
Arcos SerCal Servicios, S.A. de C.V.
Centro Especializado de Negocios Internacionales, S. de R.L. de C.V.
Servicios Alimentos Centralizados de Mexico, S. de R.L. de C.V.
Proveedora Sistematizada, S.A. de C.V.
Netherlands Antilles
Arcos Dorados Curaçao, N.V.
Panama
Arcos Dorados Panamá, S.A.
Sistemas Central América, S.A.
Arcos BraPa S.A.
Puerto Rico
Arcos Dorados Puerto Rico, Inc.
Uruguay
Arcos del Sur S.R.L.
Gauchito de Oro, S.A.
ADUY S.A.
U.S. Virgin Islands
Arcos Dorados USVI, Inc.
Venezuela
Alimentos Arcos Dorados de Venezuela, C.A.
Compañia Operativa de Alimentos COR, C.A.
Alimentos Arcos Dorados Margarita, C.A.
Alimentos Arcos Dorados Punto Fijo, C.A.
Complejo Agropecuario Carnico (Carnicos), C.A.
Gerencia Operativa ARC, C.A.
Logistica de Venezuela LOMA, C.A.

Arcos Dorados B.V. owns all the equity interests of LatAm, LLC, the master franchisee, and owns, directly or indirectly, all the equity interests of the subsidiaries operating our restaurants in the Territories. The chart below is a summary of our principal operating subsidiaries:

Division	Country	Subsidiary
Brazil		Arcos Dourados Comerico de Alimentos Ltda.
Brazil		Arcos Dourados Restaurantes Ltda.
Caribbean Division	Puerto Rico	Arcos Dorados Puerto Rico Inc.
Caribbean Division	Puerto Rico	Golden Arch Development Corporation
Caribbean Division	French West Indies	Arcos Dorados Martinique
Caribbean Division	French West Indies	Arcos Dorados Guadaloupe
Caribbean Division	French West Indies	Arcos Dorados French Guiana
Caribbean Division	Netherlands Antilles	Arcos Dorados Aruba N.V.
Caribbean Division	Netherlands Antilles	Arcos Dorados Curaçao, N.V.
Caribbean Division	U.S. Virgin Islands	AD USVI
NOLAD	Mexico	Arcos SerCal Inmobiliaria, S. de R.L. de C.V.
NOLAD	Mexico	Servicios Alimentos Centralizados de Mexico, S. de R.L. de C.V.
NOLAD	Mexico	Arcos SerCal Servicios S.A. de C.V.
NOLAD	Mexico	Centro Especializado de Negocios Internacionales de R.L. de C.V.
NOLAD	Mexico	Proveedora Sistematizada S.A. de C.V.
NOLAD	Costa Rica	Arcos Dorados Costa Rica ADCR, S.A.
NOLAD	Panama (1)	Arcos Dorados Panama, S.A.
NOLAD	Panama (1)	Sistemas Central America, S.A.
NOLAD	Panama (1)	Sistemas McCopCo Panama, S.A.
NOLAD	Panama (1)	BraPa
SLAD	Colombia	Arcos Dorados Colombia S.A.
SLAD	Colombia	Arcos Dorados Paisas, Ltda.
SLAD	Colombia	Arcos Dorados Paisas, Ltda. & Cia. S.C.A.
SLAD	Colombia	Hamburgue S.A.S.
SLAD	Venezuela	Alimentos Dorados de Venezuela C.A.
SLAD	Venezuela	Logistica de Venezuela LOMA, C.A.
SLAD	Venezuela	Gerencia Operativa ARC, C.A.
SLAD	Venezuela	Compañia Operativa de Alimentos COR, C.A.
SLAD	Ecuador	Arcgold del Ecuador, S.A.
SLAD	Peru	Operaciones Arcos Dorados de Peru, S.A.
SLAD	Peru	Bohemia Corp. S.A.
SLAD	Chile	Arcos Dorados Restaurantes de Chile, Ltda.
SLAD	Chile	Arcos de Viña, S.A.
SLAD	Chile	Axis Logistica de Chile, SRL
SLAD	Argentina	Arcos Dorados Argentina, S.A.
SLAD	Argentina	Arcos Santafesinos S.A.
SLAD	Argentina	Axis Logistica, S.A.
SLAD	Argentina	Adcon S.A.
SLAD	Argentina	Arcos Mendocinos S.A.
SLAD	Argentina	Compañia de Inversiones Inmobiliaria S.A. (CII S.A.)
SLAD	Uruguay	Arcos Dorados Uruguay S.A.
SLAD	Uruguay	Arcos System de Uruguay S.A.
SLAD	Uruguay	Arcos del Sur, S.R.L.

(1) In addition to these subsidiaries, due to certain legal restrictions in Panama, we operate our restaurants there through certain entities that we do not own.

Source: Arcos Dorados

Our Operations

Company-Operated and Franchised Restaurants

We operate our McDonald's-branded restaurants under two basic structures: (i) Company-operated restaurants owned and operated by us and (ii) franchised restaurants operated by franchisees. Under both operating alternatives the real estate location may either be owned or leased by us and then, in the case of franchised restaurants, leased or subleased to the franchisee pursuant to the franchisee agreement.

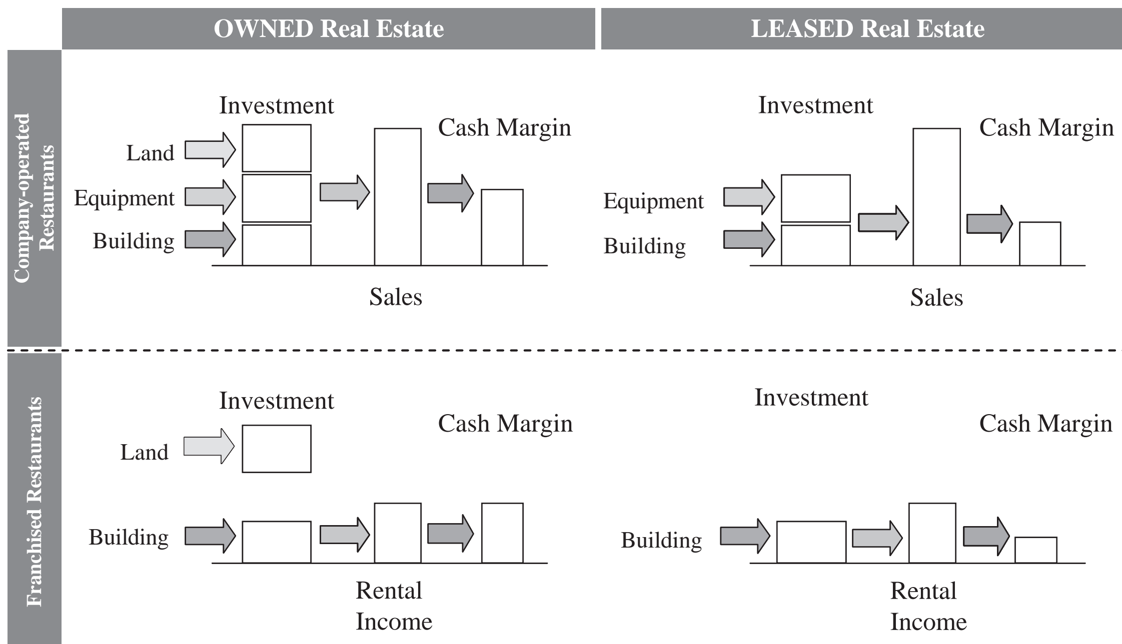
We fully manage and operate Company-operated restaurants and retain any operating profits generated by Company-operated restaurants, after paying operating expenses and the franchise fees owed to McDonald's under the MFAs. In Company-operated restaurants, we assume the capital expenditures for the building and equipment of the restaurant and, if we own the real estate location, for the land as well.

In contrast to Company-operated restaurants, franchised restaurants are operated and managed by the franchisee with technical and operational support from us as master franchisee, including training programs, operations manuals, access to our supply and distribution network and marketing assistance. Under our conventional franchise arrangements, franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and decor of their restaurants, and by reinvesting in the business over time. We are required by the MFAs to own the real estate or to secure long-term leases for franchised restaurant sites. We

subsequently lease or sublease such property to franchisees. This arrangement allows for long-term occupancy of the property and assists in the alignment of our franchisees' interests with our own.

In exchange for such lease and services, franchisees pay a monthly rent to us, based on the greater of a fixed rent or a certain percentage of gross sales. In addition to this monthly rent, we collect the monthly continuing franchise fee, which generally is 5% of the U.S. dollar equivalent of such restaurant's gross sales, and pay these fees to McDonald's pursuant to the MFAs. However, if a franchisee fails to pay its monthly continuing franchise fee, we remain liable for payment in full of these fees to McDonald's. Pursuant to the MFAs, franchisees pay an initial franchise fee in connection with the opening of a new franchised restaurant and a transfer fee upon transfer of a franchised restaurant, both of which are subsequently shared by McDonald's and us. See "Our Relationship with McDonald's — Franchise Fees."

The chart below illustrates the economics for Company-operated restaurants and franchised restaurants in the case of owned and leased real estate:



Source: Arcos Dorados

In addition, we are the majority stakeholder in several joint ventures that collectively own 38 restaurants, the majority of which are in Argentina. We have also granted developmental licenses to 13 restaurants. Pursuant to the developmental licenses, the developmental licensees own or lease the land and building on which the restaurants are located and pay a franchise fee to us in addition to the continuing franchise fee due to McDonald's. All of our joint ventures and developmental licenses were in existence at the time of the Acquisition.

Restaurant Categories

We classify our restaurants into one of four categories: (i) freestanding, (ii) food court, (iii) in-store and (iv) mall stores. Freestanding restaurants are the largest type of restaurant, have ample indoor seating and generally include a drive-through area. Food court restaurants are located in malls and consist primarily of a front counter and kitchen and do not have their own seating area. In-store restaurants are part of a larger building and resemble freestanding restaurants except for the lack of a drive-through area. Mall stores are located in malls like food court restaurants, but have their own seating areas. As of June 30, 2009, approximately 781 (or 47%) of our restaurants were freestanding, 429 (or 26%) were food court, 265 (or 16%) were in-store and 181 (or 11%) were mall stores. In addition, we have four non-traditional stores, such as food carts. These percentages vary by country, and may shift as opportunities in malls and more densely populated areas become available in some of the Territories.

Below are examples of each type of our restaurant categories:

Freestanding

In-store

Mall Store

Food Court

Source: Arcos Dorados

Returns on investment in each type of restaurant vary significantly due to the different capital expenditures required and their different sales potential; mall stores generally provide the highest return on investment while freestanding restaurants generally provide the lowest. Moreover, returns vary significantly on a country by country basis.

Reimaging Plan

An important component of our development plan is the reimaging of existing restaurants. Both we and McDonald's are committed to maintaining an image for our restaurants that creates a contemporary dining experience. Over the last few years, we have invested substantially in the reimaging of our restaurants, and we, pursuant to the MFAs, have committed to a significant reimaging plan. See "Our Relationship with McDonald's — Restaurant Opening Plan and Reinvestment Plan." Many of the reimaging projects include the addition of McCafés to the location.

Objectives of the reimaging plan include elevating the customer's perception of McDonald's and creating a more sophisticated and highly aspirational environment. We have developed systemwide guidelines for the interior and exterior design of reimaged restaurants. When carrying out a reimaging project, we minimize the impact on the operations and sales of the restaurants by keeping the restaurants open and operating during the renovations and working in specific areas of the location at particular times.

Below are images of the exterior of a few of our restaurants that have benefited from our reimaging plan:

Source: Arcos Dorados

McCafés and Dessert Centers

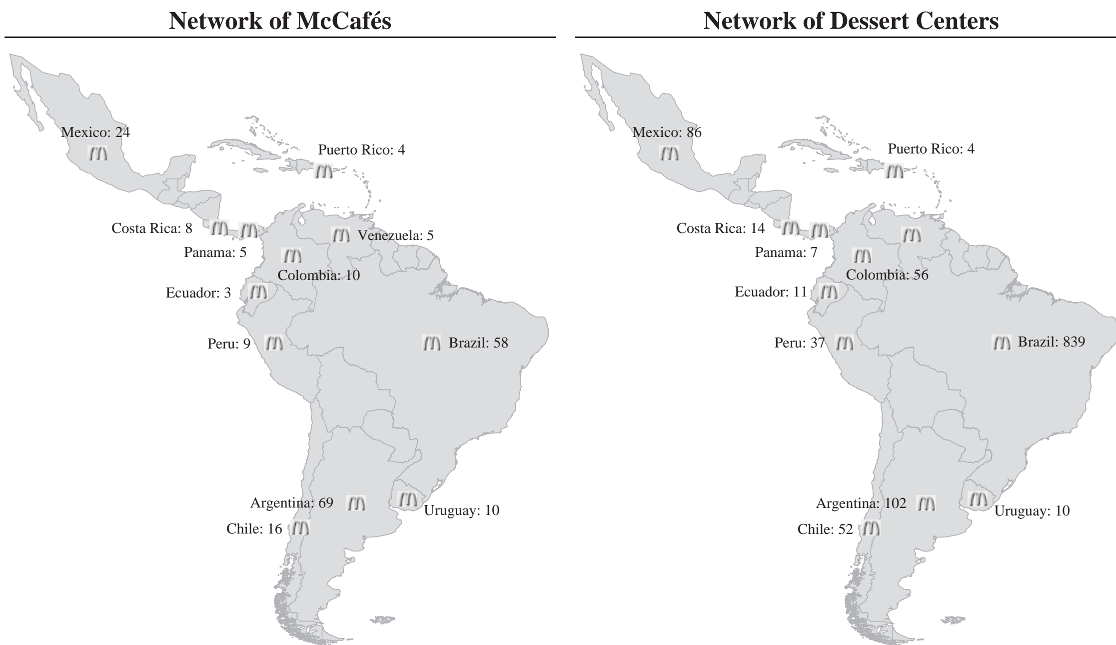
McCafés are stylish, separate areas within restaurants where customers can purchase a variety of customizable beverages, including lattes, cappuccinos, mochas, hot and iced premium coffees and hot chocolate. McCafés have been very successful in creating a different customer experience, optimizing the use of our restaurants at all hours of operation and providing a higher profit margin than our regular restaurant operations. We believe the primary benefit of McCafés is that they attract new customers by increasing the variety of our product offerings and improving our image. As of June 30, 2009, there were 221 McCafés in the Territories, of which 8% were operated by franchisees. Argentina, with 69 locations, has the greatest number of McCafés, followed by Brazil, with 58 locations. The first McCafé in Latin America was opened in Argentina in 1999. Pursuant to the MFAs we have the right to add McCafés to the premises of our restaurants.

Below are images of the interior of a few of our McCafés.

Source: Arcos Dorados

In addition to McCafés, Dessert Centers have been a very successful brand extension. Dessert Centers operate separately from existing restaurants, but depend on them for supplies and operational support. For example, a mall store restaurant can provide support for several Dessert Centers located in different locations throughout the same mall. At Dessert Centers, customers can purchase a variety of dessert items, including the McFlurry and soft-serve ice cream. Dessert Centers require low capital expenditures and provide returns on investment and operating margins that are significantly higher than our regular restaurant operations. As such, we believe they are an important driver in increasing our market penetration. As of June 30, 2009, there were 1,288 Dessert Centers in the Territories, of which 27% were operated by franchisees. Dessert Centers are highly successful in Brazil, where we have 839 locations. The first Dessert Center was created in Costa Rica in 1986 and was launched in Brazil in 1990.

The following map sets forth our McCafés and Dessert Centers in each of the Territories as of June 30, 2009:



Source: Arcos Dorados; as of June 30, 2009

The McDonald's Brand

McDonald's is one of the most well-recognized consumer food service brands in the world with a brand equity that is unparalleled in the restaurant industry. McDonald's strong brand equity stems from the dedicated execution of its brand promise and its ability to associate with the local community where it operates. McDonald's sets the standard in the restaurant industry worldwide for brand stewardship and marketing leadership. In 2008, Millward

Brown Optimor's annual survey of global brand strength ranked McDonald's as the 8th most valuable brand in the world.

Product Offerings

A crucial part of delivering the brand to clients depends on our product offerings, or more specifically, our menu strategy and management. The key objective of our menu strategy is the development and offering of quality food choices that entice customers to return to our restaurants on a regular basis. The elements we utilize to achieve this goal include offering McDonald's core menu, our product innovation initiatives and our focus on food safety.

Our menus feature three tiers of products: affordable entry-level options, such as our *Grandes Placeres Pequeños Precios* ("Big Pleasures, Small Prices") offerings, core menu options, such as the Big Mac, Happy Meal and Quarter Pounder, and premium options, such as premium hamburgers and chicken sandwiches and salads that are marketed through common platforms rather than as individual items. These platforms can be based on the type of products, such as beef, chicken or salads, or on the type of customer targeted, such as the children's menu.

Our core menu is the most important element of our menu strategy and boasts all-time favorite food choices that have global customer acceptance and are what customers repeatedly order at McDonald's-branded restaurants worldwide.

Product Development

We have been very innovative in our product development in Latin America and the Caribbean. In key countries, our understanding of the local market has enabled us to successfully introduce new items to appeal to local tastes and to provide our customers with additional food options. Our *Grandes Placeres Pequeños Precios* offerings are an example of our product development efforts, through which we introduce affordable new products every few months. Also, we carefully monitor the sales of our products and are able to quickly modify them if sales begin to lag. For instance, although we always offer the McFlurry dessert product, we have a promotional topping that is offered only for a limited period of time. When the positive sales impact of the promotional topping begins to wane, we introduce a new promotional topping to increase sales.

In 2006, McDonald's global innovation team introduced a new food preparation platform called the Bridge Operating Platform ("BOP"), which combines product innovation with operational efficiency throughout our restaurants. This platform is a significant system enhancement, and it allows for customization of products without compromising the restaurants' ability to handle a large influx of customers at peak periods. The BOP has now been implemented in all large Latin American and Caribbean markets.

We work closely with McDonald's to develop new product offerings and McDonald's considers our recommendations regarding regional tastes and preferences and works with us to accommodate such tastes and preferences. We continue to benefit from McDonald's product development efforts following the Acquisition and have access to a library of products developed globally for the McDonald's system. In addition, we continue to benefit from the Hamburger University in the United States and the food studio located in Brazil that aims to develop locally relevant products for the region. The Hamburger University and the food studio models have been McDonald's main global source of people and product development since 1961. Hamburger University provides restaurant managers, mid-managers and owner/operators with training on best practices in different aspects of the business, like restaurant and people management, sales and accounting, while emphasizing consistent restaurant operations procedures, service, quality and cleanliness. The food studios across the globe have been responsible for some of McDonald's most innovative food concepts and play a crucial role in developing new menu options that cater to the local tastes.

Product Development Strategy

Value perceptions change significantly between markets and even between areas within a single market. In order to adjust pricing to meet customers' expectations in each market, we have developed local expertise aimed at understanding the dynamics of the local marketplace and the characteristics of their customers. We also examine trends in the pricing of raw materials, packaging, product related operating costs as well as individual item sales volumes to fully understand profitability by item. These insights feed into the local markets' menu and pricing strategy as well as the marketing plan that is disseminated to both Company-operated and franchised restaurants. Restaurants may then adjust pricing and/or item offerings as they choose in an attempt to optimize sales, profitability and local preferences. This cycle is part of an overall revenue management philosophy and is part of our business management practices utilized throughout the region.

Advertisement & Promotion

We believe that sales in the QSR segment can be significantly affected by the frequency and quality of our advertising and promotional programs. In particular, we benefit from the strength of McDonald's global resources, including its global alliances with some of the largest multinational conglomerates and sponsorship of sporting events such as the Olympic Games and the World Cup and participation in various movie promotions, which provides us with important advertising and promotion opportunities.

We promote the McDonald's brand and our products by advertising in all of the Territories. We create, develop and coordinate strategic marketing plans and promotional activities throughout the Territories; however, pursuant to the MFAs, McDonald's reserves the right to review and approve any advertising materials and related promotional activities and may request that we cease using such materials or promotional activities at any time if McDonald's determines that they are detrimental to its brand image. We are required under the MFAs to spend at least 5% of our gross sales, and our franchisees generally are required to pay us 5% of their gross sales for the portion of advertising expenditures related to their restaurants, on A&P activities. The only exception to this policy is in Mexico, where both we and our franchisees contribute funds to a cooperative that is responsible for A&P activities for Mexico.

Our A&P activities are guided by our overall marketing plan, which identifies the key strategic platforms that we aim to leverage to drive sales. The A&P program is formulated based on the amount of A&P support needed for each strategic platform for the year. During 2009, our key strategic platforms include menu relevance, convenience, strengthening the kids and family experience and price segmentation for margin optimization. In terms of menu relevance, we continue to support the breakfast menu that we introduced during 2008 in many of our key markets, such as Brazil, and our premium burger and chicken products. In terms of convenience, we increased the efficiency of some of our restaurants by including more McCafés and Dessert Centers and by developing locally relevant breakfast choices. In terms of pricing, we understand that our customers seek great-tasting food at affordable prices and that their perception of value while at the restaurant is a significant factor in determining overall satisfaction and frequency of visits. Our *Grandes Placeres Pequeños Precios* program in Latin America and the Caribbean, which is based on best practices and experience in the United States and Europe, has been successful in addressing a broad range of value expectations in our restaurants without sacrificing restaurant profitability. Because the current economic downturn has limited the growth of the food services industry, we are leveraging the *Grandes Placeres Pequeños Precios* program and other affordability platforms to grow market share.

Through the execution of these initiatives, we work to enhance the McDonald's experience for customers throughout the Territories, increase our sales and guest counts. We aim to position ourselves as a "forever young" brand by delivering a youthfully energetic, distinctly casual, personally engaging and delightful dining/brand experience.

Regional Operations

The Company is divided into four geographical divisions: Brazil, the Caribbean division, NOLAD and SLAD. Except for Brazil, the divisions are subsequently divided into sub-groups comprised of individual Territories. The presidents of the divisions report directly to our Chief Operating Officer.

The following map sets forth the number of our restaurants in each of the Territories as of June 30, 2009:

Source: Arcos Dorados

We remain close to consumers by managing operations at the local level, including implementing recruiting centers, conducting marketing campaigns and promotions, monitoring consumer perception and managing menu offerings. We conduct administrative and strategic activities at either the divisional level or at our headquarters, as appropriate. We provide services such as accounts payable, accounts receivable and payroll through our centralized shared service center located in Buenos Aires, Argentina. In addition, we have designed standardized crew recruiting manuals and have implemented an online communication platform for crew and managers. These centralized operations help us maintain consistent procedures, quality control and brand management across all of our markets.

Set forth below is a summary of our restaurant portfolio as of June 30, 2009

Portfolio by Region and Country	Ownership					Per Store Type[(1)]						Building/Land	
	Company-Operated	Joint Venture	Franchised	Developmental License	Total	Freestanding	Food Court	In-Store	Mall Store	Dessert Centers	McCafés	Owned	Leased
Brazil													
Brazil	429	0	140	0	569	227	233	82	28	839	58	115	454
Caribbean Division	**90**	**0**	**55**	**1**	**146**	**114**	**4**	**8**	**18**	**4**	**4**	**50**	**95**
Aruba	2	0	0	0	2	2	0	0	0	0	0	0	2
Curaçao	4	0	0	0	4	3	0	1	0	0	0	3	1
French Guyana	2	0	0	0	2	2	0	0	0	0	0	2	0
Guadeloupe	9	0	0	0	9	3	0	3	3	0	0	5	4
Martinique	8	0	0	0	8	6	0	1	1	0	0	3	5
Puerto Rico	61	0	52	1	114	93	2	3	14	4	4	35	78
St. Croix	1	0	3	0	4	2	2	0	0	0	0	2	2
St. Thomas	3	0	0	0	3	3	0	0	0	0	0	0	3
NOLAD	**273**	**3**	**162**	**12**	**450**	**235**	**124**	**52**	**39**	**107**	**37**	**169**	**269**
Costa Rica	33	0	0	0	33	15	9	9	0	14	8	15	18
Mexico	216	3	156	5	380	197	110	34	39	86	24	137	238
Panama	24	0	6	7	37	23	5	9	0	7	5	17	13
SLAD	**373**	**35**	**87**	**0**	**495**	**205**	**70**	**123**	**96**	**338**	**122**	**174**	**320**
Argentina	146	24	18	0	188	53	29	66	39	102	69	64	123
Chile	50	4	16	0	70	24	20	13	13	52	16	14	56
Colombia	36	7	0	0	43	21	6	2	14	56	10	12	31
Ecuador	16	0	0	0	16	8	5	1	3	11	3	8	8
Peru	21	0	0	0	21	10	1	6	4	37	9	3	18
Uruguay	22	0	0	0	22	6	3	10	2	10	10	7	15
Venezuela	82	0	53	0	135	83	6	25	21	70	5	66	69
Total	**1,165**	**38**	**444**	**13**	**1,660**	**781**	**431**	**265**	**181**	**1,288**	**221**	**508**	**1,138**

(1) In addition, we have four non-traditional stores, such as food carts.

Brazil

Brazil is our largest division in terms of restaurants, with 569 restaurants as of June 30, 2009 and U.S.$487.8 million in revenues for the six months ended June 30, 2009, representing 34% and 42% of our total restaurants and revenues, respectively. Our operations in Brazil are based in Sao Paulo and McDonald's has been present in Brazil since opening its first restaurant in Rio de Janeiro in 1979.

Caribbean Division

The Caribbean division includes eight territories with 146 restaurants as of June 30, 2009 and U.S.$112.0 million in revenues for the six months ended June 30, 2009, representing 9% and 10% of our total restaurants and revenues, respectively. Its primary market is Puerto Rico, where the division's management is based. McDonald's has been present in Puerto Rico since opening its first restaurant in San Juan in 1967. Puerto Rico represents 78% of the Caribbean division's restaurants and 61% of the Caribbean division's revenues. The Caribbean division is our fifth largest market in terms of restaurants.

NOLAD

NOLAD includes three countries with 450 restaurants as of June 30, 2009 and U.S.$106.3 million in revenues for the six months ended June 30, 2009. Its primary market is Mexico, where the division's management is based.

McDonald's has been present in Mexico since opening its first restaurant in Mexico City in 1985. Mexico represents 84% of NOLAD's restaurants and 58% of NOLAD's revenues and NOLAD is our second largest market in terms of restaurants.

Our operations in Mexico differ from those in our other Territories in that the percentage of franchised restaurants is significantly higher than our systemwide average (41% of our restaurants in Mexico are franchised, while 28% of our restaurants overall are franchised) because some of our previous joint venture partners were converted into franchisees immediately prior to the Acquisition. Moreover, we have acquired several franchised restaurants since the Acquisition.

SLAD

SLAD includes seven countries with 495 restaurants as of June 30, 2009 and U.S.$462.0 million in revenues for the six months ended June 30, 2009, representing 30% and 40% of our total restaurants and revenues, respectively. Its primary markets are Argentina, where the division's management is based, and Venezuela. McDonald's has been present in Argentina since opening its first restaurant in Buenos Aires in 1986 and in Venezuela since opening its first restaurant in Caracas in 1985. As of June 30, 2009, Argentina and Venezuela, respectively, represented 38% and 27% of SLAD's restaurants and represented 29% and 48% of SLAD's revenues for the six months ended June 30, 2009. Argentina and Venezuela, respectively, are our third and fourth largest markets in terms of restaurants.

Our operations in Argentina differ from those in our other Territories in that we own a significant number of restaurants as the majority stakeholder in various joint ventures. All of the joint ventures were in existence at the time of the Acquisition.

Property Operations

As of June 30, 2009, we owned the land for 508 of our 1,660 restaurants and the buildings for all but 13 of our restaurants. These 13 restaurants are under developmental licenses, whereby the licensees own or lease the land and buildings on which such restaurants are located. This land was valued at U.S.$935.9 million as of August 31, 2009 by American Appraisal Argentina, S.A. We lease the remaining real estate property where we operate. Accordingly, we are able to charge rent on the real estate that we own and lease to our franchisees. Such rental payments generally are based on the greater of a flat fee or a percentage of sales reported by franchised restaurants. When we lease land, we match the term of our sublease to the term of the franchise. We may charge a higher rent to franchisees than that which we pay on our leases, therefore deriving additional rental income.

The selection, construction and maintenance of restaurant locations and other related real estate assets, which is a key element of our performance, is determined based on an evaluation of expected returns on investment and the most efficient allocation of our capital expenditures. In addition to our restaurant property, we own our corporate offices in Buenos Aires, Argentina, a distribution center and a research and development center in Sao Paulo, Brazil, and distribution centers in Argentina, Chile, Mexico and Venezuela.

Supply and Distribution

Supply chain management is an important element of our success and a crucial factor in optimizing our profitability. Currently, we have an integrated and centralized supply chain management system that focuses on (i) the highest possible quality and food safety, (ii) competitive market pricing that is predictable and sustainable over time, and (iii) leveraging of local, regional and global sourcing strategies to obtain a competitive advantage. This system consists of the selection and development of suppliers that are able to comply with McDonald's high quality standards and the establishment of the appropriate type of relationships with these suppliers. These standards include cleanliness, product consistency, timeliness, following internationally recognized manufacturing practices, meeting or exceeding all local food regulations and compliance with our Hazard Analysis Critical Control Plan, a systematic approach to food safety that emphasizes protection within the processing facility, rather than detection, through analysis, inspection and follow-up.

Pursuant to the MFAs, we purchase core products and services, such as beef, chicken, buns, produce, cheese, liquid products and dairy mixes, from approved suppliers and distributors who satisfy the above requirements. If McDonald's determines that any product or service offered by an approved supplier is not in compliance with its standards, it may terminate the supplier's approved status. We have largely continued the supply relationships that McDonald's had established prior to the Acquisition. Beyond the purchase of core products and services, we have no restrictions on which suppliers or distributors we may use. Since the process to become an approved supplier is lengthy, expensive and requires proof of compliance with McDonald's high quality standards, we have found that oral agreements with our approved suppliers are sufficient to ensure a reliable supply of quality food products. We have such oral agreements with almost all of our suppliers; only a few are parties to a written contract with us. Our 25 largest suppliers account for approximately 80% of our supplies, and no single supplier or group of related suppliers account for more than 9% of our total food and paper costs.

Our integrated supply chain management optimizes value as we work with suppliers to develop pricing protocols, inventory, planning and product quality. As of June 30, 2009, approximately 25% of the food products used in our restaurants were imported, primarily from countries within Latin America, while the remaining amount were locally sourced. This percentage varies among the Territories; for example, 42% of the products consumed in Mexico are imported, while 19% and 90% of the products consumed in Brazil and the Caribbean division, respectively, are imported. In addition, all of the toys distributed in our restaurants are imported from China. Certain supplies, such as beef, must often be locally sourced due to restrictions on their importation. Combined with the MFAs' requirement to purchase certain core supplies from approved suppliers, we may not be able to quickly find alternate or additional supplies in the event a supplier is unable to meet our orders. See "Risk Factors — Certain Factors Relating to our Business — We are dependent on third-party suppliers and distributors to provide products that are necessary for our operations." The suppliers send all of their products to distribution centers that are in charge of transportation, warehousing, financial administration, demand and inventory planning and customer service.

The distribution centers interact directly with our Company-operated and franchised restaurants. We operate some of the distribution centers in the Territories through a subsidiary, although distribution in Brazil and Puerto Rico is conducted by a third party. In addition, our supply chain management and distribution centers currently service the 113 McDonald's-branded restaurants in Latin America and the Caribbean that are not in the Territories as well as some third parties, which helps lower our fixed costs.

Supply Chain Management and Quality Assurance

We implement key standards testing at each stage of our supply chain, including raw materials, processing and distribution. With respect to raw materials, we verify that produce suppliers undergo verification audits. At the processing stage, we implement a supplier quality management system that encourages continuous improvement in each key product category. We measure compliance through visits to processing plants, supplier summits, regularly scheduled audits and sensory testing that is achieved through a combination of product, equipment and operational procedures. At the distribution stage, we have implemented a shelf life management system, strict temperature controls for receiving and storage of food products, a sophisticated stock recovery program and a quality inspection program.

Our quality testing extends to restaurant operations, where we conduct restaurant improvement and food safety verification processes that allow us to track the implementation of changes in restaurant operations, new products, procedures and equipment. We participate in the restaurant operations improvement process designed by McDonald's, under which Company-operated and franchised restaurants are visited at least three times in any 21-month cycle to identify system opportunities to continuously improve our operations. Visits are conducted by our operations consultants, who assess restaurants based on food quality, service and cleanliness. We also participate in the worldwide mystery shopper program designed by McDonald's, where all restaurants are visited twice a month by a third-party vendor who provides us with feedback from a customer perspective. This feedback, called customer satisfaction opportunity reports, is sent to a centralized monitoring system that evaluates key operations indicators.

Our Competition

We compete with international, national, regional and local retailers of food products. We compete on the basis of price, convenience, service, menu variety and product quality. Our competition in the broadest perspective includes restaurants, quick-service eating establishments, pizza parlors, coffee shops, street vendors, convenience food stores, delicatessens and supermarkets. For more information about our competition, see "Industry."

Our Customers

We aim to provide our customers with high quality food at a good value and a favorable dining experience in the family friendly environment demanded by our target demographic of young adults and families with children. Our McCafé brand extension has successfully targeted a more adult customer base.

Latin America and the Caribbean present very compelling growth prospects given their improving macro-economic conditions, expanding buying power of the consumer sector in general and the rapidly growing QSR markets in particular. There is significant potential for disposable income expansion as regional economies grow and consumer financing alternatives expand, which generally results in increased demand for food convenience. The confluence of favorable factors throughout the regions, including growth in our target demographic markets, offer an opportunity of profitable growth and the ability to serve an ever-increasing number of customers.

Employees

Our employees are a crucial component of our customers' restaurant service experience. As such, we consistently train our employees to deliver fast and friendly service through a series of training programs.

Our employees can be divided into three different categories: crew, restaurant managers and professional staff. Due to the different tasks of each of these categories of employees, turnover rates differ significantly. Crew turnover is considerably higher than turnover for managers and professional staff.

As of June 30, 2009, Arcos Dorados had a total of approximately 78,000 employees throughout the Territories. Of this number, 84% were crew, 14% were restaurant managers and the remainder were professional staff. Approximately 46% of our employees were located in Brazil.

The following table illustrates the distribution of Arcos Dorados employees by division and employee category as of June 30, 2009.

Division	Crew	Restaurant Managers	Professional Staff	Total
Brazil	30,278	5,134	383	35,795
Caribbean	4,343	597	128	5,068
NOLAD	7,544	1,360	260	9,164
SLAD	23,307	3,965	304	27,576
Corporate and other	–	–	407	407
Total	**65,472**	**11,056**	**1,482**	**78,010**

Restaurant managers are responsible for the daily management of our restaurants. As such, we have a comprehensive training program for them that is focused on customer management practices, food preparation and other operational procedures. Standards are taught and continually reinforced through the use of such training programs. We also use performance measurements on a continual basis, both internally and externally in connection with all our restaurants. Our internal on-site visit restaurant operations improvement process evaluates operational standards, which are compared globally to assure continuous improvement. Our external third-party shopper measurements and customer satisfaction opportunity reports help maintain our competitiveness. In addition, Hamburger University provides restaurant managers, mid-managers and owner/operators with training on best practices in different aspects of our business. In 2008, 6,605 people were trained at Hamburger University in such areas as restaurant and customer management, sales and accounting.

The role performed by our crew is of critical importance in our interactions with our customers. Employee relations are thus key to maintaining the level of motivation and enthusiasm on the part of our crew that help differentiate our restaurants from those of our competitors. In 2009, the Great Place to Work Institute recognized us as being one of the six best companies to work for in Central America, and we led the *"Súper Empresas"* (Super Companies) ranking by the Expansión/CNN magazine.

Although we have unions in some of our most important markets, including Brazil, Argentina and Mexico, the unions do not have an active role in the restaurants. In these markets, the restaurant industry is unionized by law.

Regulation

We are subject to various federal and local laws in the countries in which we operate affecting the operation of our business, as are our franchisees. Each restaurant is subject to licensing and regulation by a number of governmental authorities, which include zoning, health, safety, sanitation, building and fire agencies in the jurisdiction in which the restaurant is located. Difficulties in obtaining, or the failure to obtain, required licenses or approvals can delay or prevent the opening of a new restaurant in a particular area. Restaurant operations are also subject to federal and local laws governing such matters as wages, working conditions and overtime. We are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment.

Substantive laws that regulate the franchisor/franchisee relationship presently exist in several of the countries in which we operate, including Brazil. Such laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply and regulate franchise sales communications.

In addition, we may become subject to legislation or regulation seeking to regulate high-fat and/or high-sodium foods, particularly in Argentina, Brazil, Chile, Puerto Rico and Venezuela. Moreover, restrictions on advertising by fast food restaurants have been proposed in Argentina, Brazil, Chile and Venezuela, including proposals restricting our ability to sell toys in conjunction with food. We will comply with any laws or regulations that may be enacted and do not expect such compliance to have a material impact on our business or results of operations. However, we can provide no assurance of the effect that any possible future laws and regulations will have on our operating results.

Environmental Issues

To the best of our knowledge, there are currently no international, federal, state or local environmental laws, rules or regulations that will materially affect our results of operations or our position with respect to our competitors. However, we can provide no assurance of the effect that any possible future environmental laws will have on our operating results.

We conduct surveys with our key suppliers in Latin America and the Caribbean to better manage our impact on the environment. We measure water consumption, energy utilization and waste production and communicate with suppliers in regards to sustainability issues such as resource use, residue disposal, energy consumption and cleaner production. This helps us identify possible actions with our suppliers to reduce our environmental impact and implement best practices across the region.

We also promote several environmentally friendly projects, including paper and waste recycling campaigns. We work with local organizations to turn cooking oil into biodiesel and we have installed solar panels and heaters in several of our restaurants in Mexico. We also participate in projects such as Earth Hour, promoted by the World Wildlife Fund, where our restaurants across the region turn off their lights for an hour to raise awareness about climate change.

Legal Proceedings

Puerto Rican Franchisees

In January 2007, ten Puerto Rican franchisees filed a lawsuit against McDonald's and certain of its subsidiaries, and in connection with the Acquisition, we assumed the lawsuit on behalf of those subsidiaries as of the date of the Acquisition. The lawsuit claims (i) rights pursuant to the Puerto Rico Dealership Act governing

local distributors and non-local suppliers, (ii) the automatic right to renew and expand the scope of existing agreements, and (iii) restrictions on our ability to establish Company-operated restaurants within a geographic distance from existing franchised restaurants. We are currently in the discovery phase of the litigation.

In September, 2008, we filed a counter-suit requesting the termination of the franchise agreements with these franchisees due to several material breaches. However, we do not expect to receive a judgment from the court within the next two years and have been actively involved in settlement negotiations with the franchisees.

Retained Lawsuits and Contingent Liabilities

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. As of June 30, 2009 we maintained a provision for contingencies amounting to U.S.$108.4 million (U.S.$95.0 million as of December 31, 2008) net of judicial deposits amounting to U.S.$16.3 million (U.S.$10.7 million as of December 31, 2008) that we were required to make in connection with the proceedings. As of June 30, 2009, the net amount of U.S.$92.1 million was disclosed as follows: U.S.$1.4 million as a current liability within "Accrued payroll and other liabilities" and U.S.$90.7 million as a non-current liability.

The provision for contingencies includes U.S.$88.8 million related to Brazilian claims (U.S.$68.6 million as of December 31, 2008). Pursuant to the Acquisition, McDonald's shall indemnify us for any liability arising from these claims. As a result, we have recorded a non-current asset with McDonald's in our consolidated balance sheet.

Other Proceedings

In addition to the matters described above, we are from time to time subject to certain claims and party to certain legal proceedings incidental to the normal course of our business. In view of the inherent difficulty of predicting the outcome of legal matters, we cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. We believe that we have made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believe that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on our business, financial condition, or results of operations. However, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us; as a result, the outcome of a particular matter may be material to our operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of our income for that period.

Insurance

We maintain insurance policies in accordance with the requirements of the MFAs and as appropriate beyond such requirements, to the extent we believe additional coverage is necessary. Our insurance policies include commercial general liability, workers compensation, "all risk" property and business interruption insurance, among others. See "Our Relationship with McDonald's — Insurance."

Charitable Activities

The McDonald's brand is enhanced by its active community involvement and social responsibility, as it makes significant contributions to society through its business and charitable activities. Among other programs, during its World Children's Day, McDonald's restaurants around the world raise money for various children's causes and the Ronald McDonald House Charities Foundation supports needy children and their families, provides funding for philanthropic non-profit associations and provides educational scholarships and research for youth development.

We are actively involved with McDonald's in many of these social development programs. In 2009, there were 11 Ronald McDonald houses in six Latin American countries, and there were three Ronald McDonald family and children rooms in hospitals, which allow children undergoing heart treatments and their family members to enjoy a more comfortable stay. The Ronald McDonald Institute also contributed significantly to the inauguration of the first pediatric oncology emergency room in Rio de Janeiro. In addition, our Good Neighbor Program encourages our restaurant employees to voluntarily participate in several community initiatives.

MANAGEMENT

Board of Directors

We are managed by the board of directors of Arcos Dorados Limited, our holding company. Our bylaws provide that our shareholders determine the number of members on our board of directors and appoint those members at the annual general meeting. Board of director meetings are held on a quarterly basis.

The following table lists the current members of Arcos Dorados Limited's board of directors:

Name	Position	Address
Woods Staton	Chairman and CEO	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.
Sergio Alonso	Chief Operating Officer	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.
Germán Lemonnier	Chief Financial Officer	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.
Annette Franqui	Director	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.
Carlos Hernández-Artigas	Director	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.
Martin Diaz Plata	Director	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.
Christopher Meyn	Director	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.
Guilherme Lins	Director	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.
Carlos García	Director	Naritaweg 165, 1043 BW Amsterdam, the Netherlands.

The following is a brief summary of the business experience of our directors:

Woods Staton. Mr. Staton, 59, is our, CEO and Chairman of the Board and is a member of the Compensation Committee. He was McDonald's joint venture partner in Argentina for over 20 years and served as the President of SLAD. Mr. Staton is also a member of the founding family and served as the CEO and Chairman of the Board of Panamerican Beverages, Inc. ("Panamco"), which was Coca-Cola's largest bottler in Latin America.

Sergio Alonso. Mr. Alonso, 46, is our Chief Operating Officer and was, prior to his appointment as such, McDonald's General Manager in Brazil. He graduated with a degree in Business Administration from Universidad de Buenos Aires in 1986. He began his career at McDonald's as Accounting Manager and subsequently moved to the operations area, eventually being promoted to Vice President of Operations in 6 years. From 1999 until 2003, Mr. Alonso was involved in the development of the Aroma Café brand in Argentina.

Germán Lemonnier. Mr. Lemonnier, 47, is our Chief Financial Officer and was, prior to his appointment as such, the Chief Financial Officer of SLAD. He graduated with a degree in Accounting from Universidad de Buenos Aires in 1996. He began his career at McDonald's in 1993, as Accounting Chief of Argentina and after one year was promoted to Accounting Manager. In 1995, Mr. Lemonnier became the Finance & Administration Manager of Argentina and held the positions of Finance & Administration Director and Chief Financial Officer of Argentina from 1997 until his appointment as Chief Financial Officer of SLAD in 2005.

Annette Franqui. Ms. Franqui, 47, has been a member of our board of directors since 2007 and is a member of the Audit Committee. She graduated with a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania in 1984 and an MBA from the Stanford Graduate School of Business in 1986. She is also a Chartered Financial Analyst. Ms. Franqui began her career in 1986 with J.P. Morgan and joined Goldman Sachs in 1989. In 1994, she returned to J.P. Morgan where she became a Managing Director and the Head of the Latin America Research Department. Ms. Franqui joined Panamco in 2001 as Vice President of Corporate Finance and became the Chief Financial Officer in 2002. She is one of the founding partners of Forrestal Capital and is currently a board member of Wireless WERX International and Grupo Progreso.

Carlos Hernández-Artigas. Mr. Hernández-Artigas, 45, has been a member of our board of directors since 2007 and is a member of the Compensation Committee. He graduated from Universidad Panamericana, Escuela de Derecho in 1987 and University of Texas at Austin, School of Law in 1988. He received an MBA from IPADE in Mexico City in 1996. Mr. Hernández-Artigas worked as a lawyer for several years in Mexico City and Ciudad Juarez, Mexico and as a foreign attorney in Dallas, Texas and New York. He served as the General Counsel, Chief Legal Officer and Secretary of Panamco for ten years. He is one of the founding partners of Forrestal Capital and is currently a board member of Wireless WERX International.

Martin Diaz Plata. Mr. Diaz Plata, 42, has been a member of our board of directors since 2007 and is a member of the Compensation Committee. He is a graduate of Universidad Externado de Colombia and holds an MBA from Columbia University Graduate School of Business. He is a partner in Capital International Private Equity Funds. Prior to joining Capital International in 2003, he spent seven years with Donaldson, Lufkin & Jenrette (now Credit Suisse) in New York and Buenos Aires. Before that, Mr. Diaz Plata spent three years with Corporación Financiera del Valle in Bogota as an investment analyst and stockbroker. Mr. Diaz Plata is currently based in London.

Christopher Meyn. Mr. Meyn, 40, has been a member of our board of directors since 2007. He graduated with a Bachelor of Arts in Economics with Honors from Stanford University in 1990. Mr. Meyn became a partner of Gávea Investimentos in June 2006 and is responsible for the daily management of Gávea's Illiquid Strategies group. From 2003 to 2005, he served as a consultant to alternative investment managers, and from 1997 to 2002, he served as a Managing Director and Investment Committee member for Latinvest Asset Management and its U.S.-based parent, Globalvest Management Company. From 1995 to 1997, he was the Vice President of Dick Clark International Cable Ventures specializing in telecommunications licenses in Latin America, and from 1993 to 1995, he was the Vice President-Finance for The Marks Group, Inc. From 1990 to 1993, he was an investment banker for Dean Witter Reynolds, Inc.

Guilherme Lins. Mr. Lins, 46, has been a member of our board of directors since 2007 and is a member of the Audit Committee. He received a Bachelor of Science degree in Chemical Engineering from Universidade Federal do Rio de Janeiro and a management degree from École des Hautes Études Commerciales-HEC in Paris. He is a partner in Capital International Private Equity Funds. Prior to joining Capital International in 2000, he spent eight years with JPMorgan, first as an associate in the Latin American Mergers & Acquisitions Group in New York and São Paulo, and then as a Vice President covering JPMorgan's industrial clients in Brazil. Before that, Mr. Lins spent three years with the Matuschka Group in Paris and Munich in the firm's corporate finance department. He is currently based in Geneva.

Carlos García. Mr. García, 51, has been a member of our board of directors since 2007 and is a member of the Audit Committee. He graduated with a degree in Business and Accounting from the Universidad Católica Argentina in 1981. Mr. García is Co-Managing Partner and CEO of DLJ South American Partners, a private equity firm he created in 2006. From 1995 to 2006 he was a partner at DLJ Merchant Banking Partners, in New York and Buenos Aires, where he was responsible for running the private equity activities in Latin America. From 1989 to 1994 he was a Managing Director and Head of Latin American Private Equity and Mergers & Acquisitions at Bankers Trust Company in New York. Prior to that he spent eight years at Bank of Boston Argentina, where he was the Head of Corporate Finance and Investment Banking. Mr. García serves on the board of directors of several Latin American companies and is currently Vice Chairman of the Argentine Private Equity and Venture Capital Association. He is currently based in Buenos Aires.

Executive Officers

We have a strong centralized management team led by Mr. Staton, our CEO and Chairman of the Board, with broad experience in development, revenue, supply chain management, operations, finance, marketing, human resources, communications and training. Most of our executive officers have worked in the food service industry for several years. Many of the members of the management team have a long history with McDonald's operations in Latin America and with Mr. Staton, and have worked together as a team for many years.

The following table lists our current executive officers:

Name	Position
Woods Staton	Chairman and CEO
Sergio Alonso	Chief Operating Officer
German Lemonnier	Chief Financial Officer
Juan Carlos Valencia	Chief Legal Counsel
Marcelo Rabach	Divisional President — Brazil
José Fernández	Divisional President — SLAD
Nino Rotondi	Divisional President — Caribbean Division
Roberto Ortiz	Divisional President — NOLAD
Sebastian Magnasco	Vice President of Development
Raul Mandia	Vice President of Marketing
Pablo Rodriguez de la Torre	Vice President of Human Resources
Flavia Vigio	Vice President of Communications
Horacio Sbrolla	Vice President of Supply Chain

The following is a brief summary of the business experience of our executive officers who are not also directors:

Juan Carlos Valencia. Mr. Valencia, 42, is our Chief Legal Counsel and was, prior to his appointment as such, the Corporate Legal and Tax Director at Coca-Cola Femsa S.A. de C.V. from 2003 to 2007. He graduated with a degree in Law from Externado University of Colombia in 1991 and a Masters in Finance Law from Colegio Mayor de Nuestra Señora del Rosario. In 1997, Mr. Valencia joined Panamco Colombia S.A. as Legal and Tax Director in Colombia, and in 2000 he joined Panamco as Corporate Legal and Tax Director. Prior to joining Panamco Colombia S.A., Mr. Valencia worked for KPMG Legal Services from 1991 to 1992 and for the Colombian law firms of Arenas, Plazas & Asociados from 1992-1995 and Gomez, Pinzon & Asociados from 1995 to 1996.

Marcelo Rabach. Mr. Rabach, 39, is our Divisional President in Brazil and was, prior to his appointment as such, McDonald's Chief Operating Officer in Venezuela. He graduated with a degree in Business Administration from Universidad Argentina de la Empresa in 2002. He began his career at McDonald's Argentina in 1990 and has over 17 years of line operations experience, starting as a crew employee and steadily advancing into larger operational roles. From 1999 until his appointment as McDonald's Chief Operating Officer in Venezuela in 2005, Mr. Rabach was responsible for the operations, real estate, construction, human resources, local store marketing, and training and franchising of a region within Argentina, holding the positions of Operations Manager and Operations Director.

José Fernández. Mr. Fernández, 47, is our Divisional President of the operations in SLAD and was, prior to his appointment as such, the Managing Director of Argentina. He graduated with a degree in Mechanical Engineering from Instituto Tecnológico Buenos Aires in 1985. He began his career at McDonald's in 1986 as Project Manager and after two years was promoted to Development Manager. He also held the positions of Development Director and Development Vice President before becoming Managing Director for Argentina.

Nino Rotondi. Mr. Rotondi, 49, is our Divisional President in the Caribbean and was, prior to his appointment as such, McDonald's Chief Operating Officer in Brazil. He graduated with a degree in Civil Engineering from Metropolitan University, Venezuela in 1983. He began his career at McDonald's in 1998 and held the positions of Operations Director, Managing Director and President for Venezuela and President for the Andean region.

Roberto Ortiz. Mr. Ortiz, 54, is the Company's Divisional President in NOLAD. He is experienced in the consumer industry, having served as General Manager in Colombia for Panamco. He graduated with a

degree in Economics from San Buenaventura University, Cali, Colombia in 1978. He has over 24 years of experience in the retail industry, beginning his career in 1978 at Coca-Cola de Colombia. In 1993, he was appointed as Operations Vice President and Executive Vice President of Panamco in Colombia.

Sebastian Magnasco. Mr. Magnasco, 40, is our Vice President of Development and served, prior to his appointment as such, in the same capacity in SLAD. He graduated with a degree in Engineering from Instituto Technológico Buenos Aires, in 1990. He began his career at McDonald's in 1994 and held the positions of Real Estate & Equipment Director of Argentina and IT, Real Estate and Equipment Director of Argentina until his appointment as Vice President of Development of SLAD in 2005.

Raul Mandia. Mr. Mandia, 47, is our Vice President of Marketing and served, prior to his appointment as such, in the same capacity in SLAD. He graduated with a degree in Accounting from Northern Virginia Community College, Virginia in 1988. He began his career at McDonald's in 1991 as Finance Manager in Uruguay. In 2000, he became Director of Operations, Learning and Development in the Latin American group of McDonald's corporate headquarters, and in 2002 he returned to McDonald's Uruguay as Managing Director until he was appointed as Vice President of Marketing of SLAD in 2005.

Pablo Rodriguez de la Torre. Mr. Rodriguez, 45, joined the Company in April 2008 as Vice President of Human Resources. Mr. Rodriguez started his professional career in 1985 working for the Argentinean law firm Estudio Costa & Asociados, specializing in labor law after having graduated with a degree in Law from Buenos Aires University in 1988. In 1999, Mr. Rodriguez joined Internet operator UOL International, where he held different senior positions, mainly in Human Resources, dealing with the company's operations in the major Latin American countries, including assignments in Brazil and Mexico. In 2002, he joined Starwood Hotels & Resorts Worldwide Inc. as Vice President of Human Resources Latin America, based in Miami, where he stayed until joining Arcos Dorados.

Flavia Vigio. Ms. Vigio, 40, is our Vice President of Communications. She graduated with a degree in Journalism from Pontifícia Universidade Católica in Rio de Janeiro. She is responsible for the areas of Media and Public Relations, Government Relations, Internal Communication, Corporate Citizenship, Customer Relations and Crisis Management for the region. Prior to her appointment as such, she was responsible for communications in Brazil. At the beginning of her career, Flavia spent five years living in Milan, Italy, where she worked as a Public Relations Supervisor at Prima Classe, a leather goods retailer. She began her McDonald's career as the Internal Communications Manager in Brazil in 2002.

Horacio Sbrolla. Mr. Sbrolla, 46, is our Vice President of Supply Chain and served, prior to his appointment as such, in the same capacity in SLAD. He graduated with a degree in Industrial Engineering from Instituto Technológico Buenos Aires, in 1986. He began his career at McDonald's in 1988 as Equipment Manager of Argentina. In 2001, he became the Regional Leader for the implementation of the "ERP" solution within all Latin American markets and since 2002 was the Managing Director of Chile until his appointment as Vice President of Supply Chain of SLAD in 2005.

Committees

Audit Committee

Our audit committee consists of Mr. Lins, Ms. Franqui and Mr. García. Although our audit committee does not have a written charter, its primary responsibilities are to supervise the compliance by our management with Dutch law, our articles of association and our by-laws and to review our financial statements and to report its findings to our shareholders.

Compensation Committee

Our compensation committee consists of Mr. Staton, Mr. Hernández-Artigas and Mr. Diaz Plata. Although our compensation committee does not have a written charter, its primary responsibilities are to make recommendations to the board of directors with respect to incentive compensation plans and compensation under our phantom equity plan for senior executive officers, to review and make recommendations to our board of directors regarding

employment agreements and severance arrangements for senior executive officers and to establish compensation for directors.

Dividend Policy

We have not paid any dividends in the past, however, on an periodical basis, the board of directors may consider and approve the payment of dividends. The board of directors will consider the legal requirements with regards to our net income and retained earnings and our cash flow generation, targeted leverage ratios and debt covenant requirements in determining the amount of dividends to be paid, if any. Dividends may only be paid after having fulfilled our capital expenditures program and after satisfying our indebtedness and liquidity thresholds, in that order.

Phantom Equity Plan

In March 2008, we implemented a phantom equity plan to reward employees for increases in the market value of our shares subsequent to the date of grant. The employees in the phantom equity plan are selected by our Compensation Committee and approved by our board of directors. Our Compensation Committee also determines the number of shares under the phantom equity plan to be distributed to each employee, based on their position and a performance evaluation.

Participating employees are entitled to receive, when vested, a payment in local currency equal to the appreciation in market value over the base value, determined at the close of each quarter. As we are not a public company, the estimated fair market value is determined based on a formula, as established in the plan. Except in the occurrence of certain events, the awards vest over a five-year period as follows: 40% at the second anniversary of the date of grant vesting of shares granted pursuant to the phantom equity plan is staggered; 40% of the shares vest at the second anniversary of the grant date and 20% of shares vest in each subsequent year until the fifth year following the grant date. Employees must exercise their shares no later than five years following the grant date. The size of the phantom equity plan is limited so as not to exceed 4% of the Company's value at the time of the share grant.

In addition, we entered into an agreement with our CEO pursuant to which he will be entitled to receive a cash payment equal to 1% of the fair market value of the Company upon the occurrence of certain events, including an initial public offering or a change of control. The payment vests over a four-year period (25% per year), subject to his continued employment as from August 3, 2007.

Prior to the Acquisition, McDonald's had a share-based compensation plan pursuant to which it granted stock options and restricted stock units to certain of its executives, certain of whom became executives of Arcos Dorados following the Acquisition. The plan was cancelled by McDonald's on August 3, 2007 in connection with the Acquisition; however, in order not to affect the executives' compensation, we decided to maintain the conditions of the plan and recognize this benefit as if it had not been cancelled. With regards to the stock option awards, we will pay an amount equal to the difference, if any, between the fair value of McDonald's shares and the exercise price at which the awards were originally granted by McDonald's when the stock options would have vested and been exercised. These benefits vest over a four-year period and expire ten years after the grant date. With regards to the restricted stock unit awards, we will pay an amount equal to the fair market value of McDonald's shares when the restricted stock units would have vested. The restricted stock units vest on the third anniversary of the grant date. We recognize compensation expense related to these benefits when services required to earn these benefits are rendered. The accrued liability is re-measured at the end of each reporting period until settlement, based on the fair value of McDonald's shares.

PRINCIPAL SHAREHOLDERS

The following table summarizes the economic and voting interests of our principal shareholders:

Shareholder	Class A Shares[1]	Class B Shares[2]	Total Economic Interest[3]	Total Voting Interest
Woods Staton	0.0%	97.5%	40%	51%
Gávea Investimentos	42.4%	0.0%	26%	21%
Capital International Private Equity Funds	33.1%	0.0%	20%	17%
DLJ South American Partners	21.4%	0.0%	13%	11%

(1) Class A shares are entitled to one vote per share.
(2) Class B shares are entitled to two votes per share.
(3) Shareholdings do not sum to 100% due to minority shareholdings of less than one percent in the aggregate and the effects of rounding.

We are indirectly owned by a group of investors led by Los Laureles Ltd., which is wholly owned by Mr. Staton.

Woods Staton

Woods Staton, who owns 40% of the economic interests of Arcos Dorados and 51% of its voting interest through Los Laureles, Ltd., is a leading businessman and investor in Latin America. Prior to the Acquisition, Mr. Staton was McDonald's joint venture partner in Argentina for over 20 years and served as the President of McDonald's South Latin America Division. Mr. Staton is also a member of the founding family, and served as an employee and Chairman of the Board, of Panamco. Panamco was Coca-Cola's largest bottler in Latin America and was, prior to its sale in May 2003, a multi-billion dollar NYSE-listed company.

Mr. Staton's long-term relationship with McDonald's and broad experience with major brands uniquely position him to serve as our Chairman, CEO and controlling shareholder. Moreover, over the course of his career, Mr. Staton has demonstrated the capacity to build strong teams, as evidenced during his 20-year tenure as McDonald's joint venture partner and employee.

Gávea Investimentos

Gávea Investimentos, Ltda., through Gávea Investment AD, LP, indirectly owns 26% of the economic interests of Arcos Dorados and 21% of its voting interests. Gávea is one of the largest independent investment management companies in Brazil, managing approximately U.S.$6.8 billion. Gávea was founded by Arminio Fraga, a former President of the Central Bank of Brazil, a former Managing Director for Soros Fund Management and a Visiting Assistant Professor at the Wharton School of Business at the University of Pennsylvania. He is the Chairman of the board of directors of BM&FBovespa and a member of J.P. Morgan's International Advisory Board and China Investment Corporation's International Advisory Board.

Capital International Private Equity Funds

Capital International Private Equity Fund V, L.P. and CGPE V, L.P., indirectly own 20% of the economic interests of Arcos Dorados and 17% of its voting interests. Capital International, Inc., the investment advisor to the Capital International Private Equity Funds, is a leading asset manager and investor in emerging market equities. Its private equity team has invested over U.S.$2.0 billion in 69 companies across 35 countries. Within Latin America, it currently has prominent private equity investments in Mexico, Argentina and Brazil.

DLJ South American Partners

DLJ South American Partners, L.P. and DLJSAP Restco Co-Investments LLC, indirectly own approximately 13% of the economic interests of Arcos Dorados and 11% of its voting interests. DLJ South American Partners is an independent regionally dedicated private equity fund sponsored by a group of Latin America-based investment professionals and Credit Suisse. Its portfolio of private equity investments is primarily focused in Argentina, Brazil and Chile and its principals have a long track record in private equity transactions, having invested U.S.$850 million in several industries across the entire region.

RELATED PARTY TRANSACTIONS

Letter of Credit

As security for the performance of our obligations under the MFAs, we obtained an irrevocable standby letter of credit in favor of McDonald's in an amount of U.S.$65.0 million, issued by Credit Suisse acting as issuing bank. Credit Suisse is a sponsor of DLJ South American Partners, which indirectly owns 13% and 11% of our economic and voting interests, respectively. We believe that the terms of the transaction are consistent with those that could have been obtained in a comparable arm's-length transaction with an unrelated party.

DESCRIPTION OF NOTES

We will issue the notes under an indenture (the "Indenture") entered into on October 1, 2009 between us and Citibank, N.A., as trustee (the "Trustee"). We urge you to read this Descriptions of Notes, the offering memorandum and the Indenture because they define your rights as holders of the notes. You may obtain a copy of the Indenture in the manner described under "Available Information" in this offering memorandum, and, for so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, at the office of the paying agent in Luxembourg.

You can find the definition of capitalized terms used in this section of this offering memorandum under "— Certain Definitions." In this section, when we refer to:

- the "Company," we mean Arcos Dorados B.V. (parent company only) and not its Subsidiaries; and
- the "Notes" in this section, we mean the notes offered pursuant to this offering memorandum and, unless the context otherwise requires, any Additional Notes, as described below in "— General."

General

The Notes will:

- be senior unsecured obligations of the Company;
- rank equal in right of payment with all other existing and future senior unsecured indebtedness of the Company;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Company, if any;
- be effectively subordinated to all existing and future secured indebtedness of the Company to the extent of the value of the assets securing such indebtedness; and
- be guaranteed by each Subsidiary Guarantor with such guarantee ranking equal in right of payment with all other existing and future senior unsecured indebtedness of such Guarantor.

As of June 30, 2009, we had consolidated total indebtedness of U.S.$458.1 million and were the account party under a letter of credit issued for the benefit of McDonald's Latin America, that had an undrawn amount as of such date of U.S.$65.0 million. As of the same date, after giving effect to the issuance and sale of the Notes and the application of the net proceeds from this offering as described under "Use of Proceeds" in this offering memorandum, we would have had consolidated total indebtedness of U.S.$512.5 million. Of this amount, U.S.$60.15 million would have been secured by collateral.

The Company will initially issue U.S.$450 million aggregate principal amount of Notes, but may, subject to the limitations set forth under "— Covenants — Limitation on Incurrence of Additional Indebtedness," issue an unlimited principal amount of securities under the Indenture. The Company may, without your consent, issue additional Notes ("Additional Notes") in one or more transactions, which have substantially identical terms (other than issue price, issue date and date from which the interest will accrue) as Notes issued on the Issue Date. Any Additional Notes will be consolidated and form a single class with the Notes issued on the Issue Date, so that, among other things, Holders of any Additional Notes will have the right to vote together with Holders of Notes issued on the Issue Date as one class.

The Notes will be issued in the form of one or more Global Notes without coupons, registered in the name of a nominee of DTC, as depositary. The Notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. See "Book-Entry; Delivery and Form" in this offering memorandum.

Principal, Maturity and Interest

The redemption price of the Notes will be equal to 100% of the principal amount. The Notes will mature on October 1, 2019, unless earlier redeemed in accordance with the terms of the Notes. See "— Optional Redemption" and "— Mandatory Redemption" below.

The Notes will not be entitled to the benefit of any mandatory sinking fund.

Interest on the Notes will accrue at the rate of 7.50% per year and will be payable semi-annually in arrears on April 1 and October 1 of each year, commencing on April 1, 2010. Payments will be made to the persons who are registered Holders at the close of business on the March 15 and September 15, as the case may be, immediately preceding the applicable interest payment date.

Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Initially, the Trustee will act as Registrar, Transfer Agent and principal Paying Agent for the Notes. The Company may change the Registrar, Transfer Agent and Paying Agent, without notice to Holders. If a Holder of Notes in an aggregate principal amount of at least U.S.$1,000,000 has given wire transfer instructions to the Company and the Trustee, the Trustee, as Paying Agent, will remit all principal, premium, if any, and interest payments in respect of those Notes received from the Company in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the Paying Agent in New York City unless the Company elects to make interest payments by check mailed to the registered Holders at their registered addresses.

The Company will provide copies of the offering memorandum and the Indenture at the offices of the Luxembourg Paying Agent.

Subsidiary Guarantees

The obligations of the Company pursuant to the Notes, will be fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by each Subsidiary Guarantor. If the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the date of the Indenture, that new Restricted Subsidiary must provide a guarantee of the notes (a “Subsidiary Guarantee”).

Each Subsidiary Guarantee will be limited to the maximum amount that would not render the Subsidiary Guarantors’ obligations subject to avoidance under applicable fraudulent conveyance provisions of applicable law. By virtue of this limitation, a Subsidiary Guarantor’s obligation under its Subsidiary Guarantee could be significantly less than amounts payable with respect to the Notes, or a Subsidiary Guarantor may have effectively no obligation under its Subsidiary Guarantee. See “Risk Factors — Certain Factors Relating to the Notes and the Guarantees — Fraudulent conveyance laws may void the notes and/or the subsidiary guarantees or subordinate the notes and/or the subsidiary guarantees.”

The Subsidiary Guarantee of a Subsidiary Guarantor will terminate upon:

- a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture;
- the designation in accordance with the Indenture of the Subsidiary Guarantor as an Unrestricted Subsidiary or the Subsidiary Guarantor otherwise ceases to be a Restricted Subsidiary in accordance with the Indenture; or
- defeasance or discharge of the Notes, as provided in “— Legal Defeasance and Covenant Defeasance” and “— Satisfaction and Discharge.”

Certain of the Company’s Restricted Subsidiaries, representing in the aggregate approximately 5.9% of the Company’s total revenues in 2008, cannot guarantee the Notes because of local laws or the existence of minority shareholders. These Restricted Subsidiaries (the Non-Guarantor Restricted Subsidiaries, as defined under “Certain Definitions”) will not guarantee the Notes for so long as they are prevented by local law or the existence of minority shareholders from doing so. In addition, the Company is permitted under the terms of the Indenture to form, create or acquire new Restricted Subsidiaries that may also be Non-Guarantor Restricted Subsidiaries, to the extent they are prevented by local law or the existence of minority shareholders from guaranteeing the Notes; provided that the Company provides the Trustee with an Officer’s Certificate certifying that such subsidiary is prevented by local law or the existence of minority shareholders from guaranteeing the Notes. If a Non-Guarantor Restricted Subsidiary is

no longer prevented from guaranteeing the Notes, the Company will promptly cause such Restricted Subsidiary to become a Subsidiary Guarantor by executing a supplemental indenture. Until such time as the Non-Guarantor Restricted Subsidiaries Guarantee the Notes, the Non-Guarantor Restricted Subsidiaries will be restricted in their ability to Incur Indebtedness and the Company and its Restricted Subsidiaries will not be permitted to grant Liens secured by the Capital Stock of the Non-Guarantor Restricted Subsidiaries.

Additional Amounts

We are not currently required by Netherlands law to deduct any Netherlands withholding taxes from payments of interest to investors. However, if we become obligated to do so (or if a Subsidiary Guarantor is obligated to deduct any withholding taxes from payments made under a Subsidiary Guarantee) we will (or, with respect to a Subsidiary Guarantee, a Subsidiary Guarantor will) pay additional amounts on those payments and certain other payments to the extent described below ("Additional Amounts").

The Company, and each Subsidiary Guarantor, will, subject to the exceptions set forth below, pay to Holders of the Notes such Additional Amounts as may be necessary so that every net payment of interest (including any premium paid upon redemption of the Notes and any discount deemed interest under Netherlands law) or principal to the Holders will not be less than the amount provided for in the Notes. By net payment, we mean the amount that we (or a Subsidiary Guarantor) or our Paying Agent pay any Holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed with respect to that payment by the Netherlands or any jurisdiction where the Company or any Subsidiary Guarantor is incorporated or resident for tax purposes or from or through which any payment in respect of the Notes is made by the paying agent or the Company, or any political subdivision thereof (a "Relevant Jurisdiction), or any taxing authority of a Relevant Jurisdiction.

Our obligation to pay Additional Amounts is subject to several important exceptions. The Company, and each Subsidiary Guarantor, will not be required to pay Additional Amounts to any Holder for or on account of any of the following:

- any present or future taxes, duties, assessments or other governmental charges that would not have been imposed but for any present or former connection between the Holder (or a fiduciary, settlor, beneficiary, member or shareholder of the Holder) and the Relevant Jurisdiction (other than the mere receipt of a payment or the ownership or holding of a Note);

- any estate, inheritance, capital gains, excise, personal property tax, sales, transfer, gift or similar tax, assessment or other governmental charge imposed with respect to the Notes;

- any taxes, duties, assessments or other governmental charges that would not have been imposed but for the failure of the Holder or any other Person to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, for tax purposes, of the Holder or any beneficial owner of the Note if compliance is required by law, regulation or by an applicable income tax treaty to which the Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the Holders at least 30 days' notice that Holders will be required to provide such certification, identification or information;

- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on or in respect of the Notes;

- any present or future taxes, duties, assessments or other governmental charges with respect to a Note presented for payment, where presentation is required, more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder of such Note would have been entitled to such Additional Amounts on presenting such Note for payment on any date during such 30-day period;

- any withholding or deduction that is required to be made pursuant to EC Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27,

2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive;

- any payment on the Note to a Holder that is a fiduciary, a partnership, a limited liability company or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership, an interestholder in such a limited liability company or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Note; or
- in the case of any combination of the items listed above.

Upon request, the Company will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of taxes in respect of which we have paid any Additional Amount. We will make copies of such documentation available to the Holders of the Notes or the relevant Paying Agent upon request.

Any reference in this offering memorandum, the Indenture or the Notes to principal, premium, interest or any other amount payable in respect of the Notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this section.

In the event of any merger or other transaction described and permitted under "— Covenants — Limitation on Merger, Consolidation and Sale of Assets," then all references to the Netherlands, Netherlands law or regulations, and Netherlands political subdivisions or taxing authorities under this "Additional Amounts" section and under "— Optional Redemption — Optional Redemption Upon Tax Event" will be deemed to also include the jurisdiction of incorporation or tax residence of the Surviving Entity, if different from the Netherlands, and any political subdivision therein or thereof, law or regulations, and any taxing authority of such other jurisdiction or any political subdivision therein or thereof, respectively.

Optional Redemption

Optional Redemption with a Make-Whole Premium

At any time prior to October 1, 2014, the Company will have the right, at its option, to redeem any of the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of such Notes plus, the greater of (1) 1% of the then outstanding principal amount of the Notes, and (2) the excess of: (a) the present value (as determined by the Independent Investment Banker) at such redemption date of (i) the redemption price of the Notes at October 1, 2014 (such redemption price being set forth in the table below under "— Optional Redemption Without a Make-Whole Premium") plus (ii) all required interest payments thereon through October 1, 2014 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, over (b) the then outstanding principal amount of the Notes (the "Make-Whole Amount"), plus in each case any accrued and unpaid interest on the principal amount of the Notes to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company.

"Comparable Treasury Price" means, with respect to any redemption date (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference

Treasury Dealer Quotation or (2) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer" means Banc of America Securities LLC and Morgan Stanley & Co. Incorporated or their affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by the Company; provided that if any of the foregoing cease to be a primary United States government securities dealer in New York City (a "Primary Treasury Dealer"), the Company will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 pm New York City time on the third Business Day preceding such redemption date.

Optional Redemption Without a Make-Whole Premium

At any time and from time to time on or after October 1, 2014, the Company may, at its option, redeem all or part of the Notes upon not less than 30 nor more than 60 days' prior notice to the Holders of the Notes, at the redemption prices, expressed as percentages of principal amount, set forth below, plus accrued and unpaid interest thereon, if any, to the applicable redemption date, if redeemed during the 12 month period beginning on October 1 of the years indicated below:

Year	Percentage
2014	103.750%
2015	102.500%
2016	101.250%
and after	100%

Optional Redemption with Proceeds of Equity Offerings

At any time prior to October 1, 2012, the Company may, at its option, on one or more occasions, redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) at a redemption price of 107.50% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided* that:

(1) Notes in an aggregate principal amount equal to at least 65% of the aggregate principal amount of Notes issued on the first Issue Date remain outstanding immediately after the occurrence of such redemption; and

(2) the redemption must occur within 90 days of the date of the closing of such Equity Offering.

Optional Redemption Upon Tax Event

If the Company determines that, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Relevant Jurisdiction (as defined above in "— Additional Amounts"), any taxing authority thereof or therein affecting taxation, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective or, in the case of a change in official interpretation or application, is announced on or after the date of this offering memorandum (or on or after the date a Surviving Entity assumes the obligations under the Notes, in the case of a Surviving Entity with a different Relevant Jurisdiction than the Company), we (or a Subsidiary Guarantor) would be obligated, to pay any Additional Amounts (see "— Additional Amounts" and Taxation — Certain Dutch Tax Considerations), provided that the Company, in its business judgment, determines that such obligation cannot be avoided by the Company taking reasonable measures available to it, then, at our option, all, but not less than all, of the Notes may be redeemed at any time at a redemption price equal to 100% of the

outstanding principal amount, plus any accrued and unpaid interest to the redemption date due thereon up to but not including the date of redemption; *provided* that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we (or a Subsidiary Guarantor) would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the publication of any notice of redemption pursuant to this provision, we will deliver to the Trustee:

- an Officers' Certificate stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right to redeem have occurred; and
- an Opinion of Counsel from legal counsel in a Relevant Jurisdiction (which may be our counsel) of recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change or amendment.

This notice, once delivered by us to the Trustee, will be irrevocable.

We will give notice of any redemption at least 30 but not more than 60 days before the redemption date to the Trustee, which will, in turn, provide notice to Holders of Notes as described in "— Notices" below.

Optional Redemption Procedures

Notice of any redemption will be mailed by first-class mail, postage prepaid, at least 35 but not more than 60 days before the redemption date to Holders of Notes to be redeemed at their respective registered addresses. For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, the Company will cause notices of redemption to also be published as described in "— Notices" below.

Notes called for redemption will become due on the date fixed for redemption. The Company will pay the redemption price for the Notes together with accrued and unpaid interest thereon through the date of redemption. On and after the redemption date, interest will cease to accrue on the Notes as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of the Notes by the Company, the redeemed Notes will be cancelled.

If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected by lot by DTC in the case of Notes represented by a Global Note or by the Trustee *pro rata*, by lot or by any other method the trustee in its sole discretion deems fair and appropriate, in denominations of $1,000 principal amount and multiples thereof. Upon surrender of any Note redeemed in part, the holder will receive a new Note equal in principal amount to the unredeemed portion of the surrendered note. Once notice of redemption is sent to the holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest.

Mandatory Redemption

Mandatory Redemption upon Exercise of Call Option

No later than 5 Business Days following the date upon which the Call Option Redemption Event occurs, the Company will provide the Trustee with a notice to redeem all of the Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the date of redemption (the "Call Option Exercise Payment"). For the avoidance of doubt, a Call Option Redemption Event will only occur in connection with the exercise by McDonald's of the McDonald's Call Option under the Master Franchise Agreements with respect to the Master Franchisee or the Brazilian Master Franchisee. An exercise by McDonald's of the McDonald's Call Option with respect to any other Subsidiary of the Company shall not be treated as a Call Option Redemption Event, but will instead be treated as an Asset Sale subject to the limitations set forth under "Covenants — Limitation on Asset Sales."

Notes subject to mandatory redemption following a Call Option Redemption Event will become due on the earlier of the date fixed for redemption or the 30th day following the Call Option Redemption Event. On and after

the redemption date, interest will cease to accrue on the Notes as long as the Company has deposited with the Paying Agent funds in an amount equal to the Call Option Exercise Payment. Upon redemption of the Notes by the Company, the redeemed Notes will be cancelled. For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, the Company will cause notices of redemption to also be published as described in "— Notices" below.

Change of Control

Upon the occurrence of a Change of Control, each Holder will have the right to require that the Company purchase all or a portion (in integral multiples of U.S.$1,000, *provided* that the principal amount of such Holder's Note will not be less than U.S.$100,000) of the Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the purchase date (the "Change of Control Payment").

Within 30 days following the date upon which the Change of Control occurs, the Company must send, by first-class mail, a notice to each Holder, with a copy to the Trustee, offering to purchase the Notes as described above (a "Change of Control Offer") and, for so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, publish such notice as described in "— Notices" below. The Change of Control Offer will state, among other things, the purchase date, which must be at least 30 but not more than 60 days from the date the notice is mailed, other than as may be required by law (the "Change of Control Payment Date").

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer will be cancelled and cannot be reissued.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent any such rule, laws and regulations are applicable in connection with the purchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with such securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by doing so.

Other existing and future indebtedness of the Company may contain prohibitions on the occurrence of events that would constitute a Change of Control or require that Indebtedness be purchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Notes upon a Change of Control may cause a default under such indebtedness even if the Change of Control itself does not.

If a Change of Control Offer occurs, the Company may not have available funds sufficient to make the Change of Control Payment for all the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations and any other obligations it may have. However, we cannot assure you that the Company

would be able to obtain necessary financing, and the terms of the Indenture may restrict the ability of the Company to obtain such financing.

Holders will not be entitled to require the Company to purchase their Notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which is not a Change of Control.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Covenants in the Indenture restricting the ability of the Company and its Restricted Subsidiaries to incur additional Indebtedness, to grant Liens on property, to make Restricted Payments and to make Asset Sales may also make more difficult or discourage a takeover of the Company, whether favored or opposed by the management or its Board of Directors. Consummation of any Asset Sale may, in certain circumstances, require redemption or repurchase of the Notes, and the Company or the acquiring party may not have sufficient financial resources to effect such redemption or repurchase. In addition, restrictions on transactions with Affiliates may, in certain circumstances, make more difficult or discourage any leveraged buyout of the Company or any of its Subsidiaries. While these restrictions cover a wide variety of arrangements that have traditionally been used to effect highly leveraged transactions, the Indenture may not afford the Holders protection in all circumstances from the adverse aspects of a highly leveraged transaction, reorganization, restructuring, merger, recapitalization or similar transaction.

One of the events that constitutes a Change of Control under the Indenture is the disposition of "all or substantially all" of the Company's assets under certain circumstances. This term varies based upon the facts and circumstances of the subject transaction and has not been interpreted under New York State law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in certain circumstances there may be uncertainty in ascertaining whether a particular transaction involved a disposition of "all or substantially all" of the assets of a Person. In the event that Holders elect to require the Company to purchase the Notes and the Company contests such election, there can be no assurance as to how a court interpreting New York State law would interpret the phrase under certain circumstances.

Covenants

Limitation on Incurrence of Additional Indebtedness

(1) The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) except that the Company and its Subsidiary Guarantors may Incur Indebtedness if, at the time of and immediately after giving *pro forma* effect to the Incurrence thereof and the application of the net proceeds therefrom, the Net Debt to EBITDA Ratio shall not exceed 2.5 to 1.0.

(2) Notwithstanding clause (1) above, the Company and its Restricted Subsidiaries, as applicable, may, at any time, Incur the following Indebtedness ("Permitted Indebtedness"):

(a) Indebtedness in respect of the Notes (excluding Additional Notes) and the Subsidiary Guarantees (including any Additional Notes);

(b) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date, other than Indebtedness otherwise specified under any clause of this definition of Permitted Indebtedness;

(c) Hedging Obligations entered into by the Company and its Restricted Subsidiaries for bona fide hedging purposes and not for speculative purposes;

(d) intercompany Indebtedness between the Company and any Subsidiary Guarantors or between any Subsidiary Guarantors; *provided* that:

(i) in the event that at any time any such Indebtedness ceases to be held by the Company or a Subsidiary Guarantor, such Indebtedness will be deemed to be Incurred by the Company or the relevant

Subsidiary Guarantor, as the case may be, and not permitted by this clause (d) at the time such event occurs; and

(ii) if a Venezuelan Subsidiary is the obligor on such Indebtedness and the obligee is not a Venezuelan Subsidiary, such Indebtedness Incurred may not exceed U.S.$25 million (net of amounts repaid) in the aggregate.

(e) intercompany Indebtedness between the Company or any Subsidiary Guarantor and any Non-Guarantor Restricted Subsidiary, except any Venezuelan Subsidiary, in an aggregate principal amount at any time outstanding not to exceed U.S.$25 million;

(f) other Subordinated Indebtedness of the Company or any Subsidiary Guarantor in an aggregate principal amount at any time outstanding not to exceed U.S.$30 million;

(g) Indebtedness of the Company or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;

(h) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or any Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(i) Indebtedness consisting of letters of credit, banker's acceptances, performance bonds, appeal bonds, surety bonds, customs bonds and other similar bonds and reimbursement obligations Incurred by the Company or any Restricted Subsidiary in the ordinary course of business securing the performance of contractual, franchise or license obligations of the Company or any Restricted Subsidiary (in each case, other than for an obligation for borrowed money);

(j) Indebtedness of the Company or any of its Restricted Subsidiaries to the extent the net proceeds thereof are promptly used to redeem the Notes in full or deposited to defease or discharge the Notes, in each case in accordance with the Indenture;

(k) Refinancing Indebtedness in respect of:

(i) Indebtedness (other than Indebtedness owed to the Company or any Subsidiary of the Company) Incurred pursuant to clause (1) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such clause (1)); or

(ii) Indebtedness Incurred pursuant to clauses (a), (b) (other than Indebtedness under the Credit Agreement), (k) and (o) (excluding Indebtedness owed to the Company or a Subsidiary of the Company);

(l) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred in connection with the disposition of any business, assets or Subsidiary, other than Guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness will at no time exceed the gross proceeds actually received by the Company and the Restricted Subsidiary in connection with such disposition;

(m) Indebtedness incurred pursuant to the Franchise Documents and the L/C Documents as in effect from time to time;

(n) the Guarantee by the Company or any Subsidiary Guarantor of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant;

(o) Acquired Indebtedness, provided that after giving effect to the Incurrence thereof, (i) the Company could incur at least $1.00 of Indebtedness under the Net Debt to EBITDA Ratio pursuant to clause (1) above, or (ii) the Net Debt to EBITDA Ratio would be no worse than such ratio immediately prior to such incurrence;

(p) the Incurrence by the Company or any Subsidiary Guarantor of any Indebtedness with a maturity less than 365 days and Incurred in the ordinary course of business for working capital purposes not to exceed U.S.$50 million outstanding at any one time;

(q) in addition to Indebtedness referred to in clauses (a) through (p) above, Indebtedness of the Company or any Subsidiary Guarantor in an aggregate principal amount at any one time outstanding not to exceed U.S.$100 million (or the equivalent in other currencies).

(3) Notwithstanding clause (1) above, the Company's Non-Guarantor Restricted Subsidiaries may, at any time, Incur (a) intercompany Indebtedness as permitted under clause (2)(e) above and (b) other Indebtedness in an aggregate principal amount at any one time outstanding not to exceed U.S.$15 million (or the equivalent in other currencies).

(4) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(a) the outstanding principal amount of any item of Indebtedness will be counted only once;

(b) in the event that an item of Indebtedness meets the criteria of clause (1) or (3) above or more than one of the categories of Permitted Indebtedness described in clauses (a) through (q) of clause (2) above, the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this covenant;

(c) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness, but may be permitted in part by such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(d) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP;

(e) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness will not be included; and

(f) the accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (2) above will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision.

(5) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a non-U.S. currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or, in the case of revolving credit Indebtedness, first committed; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a non-U.S. currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(a) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Company or any Restricted Subsidiary to holders of such Capital Stock, other than:

- dividends or distributions payable in Qualified Capital Stock of the Company;
- dividends or distributions payable to the Company and/or a Restricted Subsidiary; or
- dividends, distributions or returns of capital made on a *pro rata* basis to the Company and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);

(b) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company held by Persons other than the Company or any of its Restricted Subsidiaries;

(c) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness; or

(d) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving *pro forma* effect thereto:

(1) a Default or an Event of Default has occurred and is continuing;

(2) the Company is not able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to paragraph (1) of "— Limitation on Incurrence of Additional Indebtedness;" or

(3) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof will exceed the sum of:

(A) 50% of cumulative Consolidated Net Income of the Company or, if such cumulative Consolidated Net Income of the Company is a loss, minus 100% of the loss, accrued during the period, treated as one accounting period, from June 30, 2009 to the end of the most recent fiscal quarter for which consolidated financial information of the Company is available; *plus*

(B) 100% of the aggregate net cash proceeds received by the Company from any Person from any:

- contribution to the Capital Stock of the Company not representing an interest in Disqualified Capital Stock or issuance and sale of Qualified Capital Stock of the Company, in each case subsequent to the Issue Date; or
- issuance and sale subsequent to the Issue Date (and, in the case of Indebtedness of a Restricted Subsidiary, at such time as it was a Restricted Subsidiary) of any Indebtedness for borrowed money of the Company or any Restricted Subsidiary that has been converted into or exchanged for Qualified Capital Stock of the Company;

excluding, in each case, any net cash proceeds:

(x) received from a Subsidiary of the Company;

(y) used to acquire Capital Stock or other assets from an Affiliate of the Company; or

(z) applied in accordance with clause (2) or (3) of the second paragraph of this covenant below; *plus*

(C) an amount equal to the sum, for all Unrestricted Subsidiaries, of the following:

(x) the cash return, and the fair market value of assets or property received, after the Issue Date, on Investments in an Unrestricted Subsidiary made after the Issue Date pursuant to this paragraph as

a result of any sale, repayment, redemption, liquidating distribution or other realization (not included in Consolidated Net Income); *plus*

(y) all distributions or dividends to the Company or a Restricted Subsidiary from Unrestricted Subsidiaries (*provided* that such distributions or dividends shall be excluded in calculating Consolidated Net Income for purposes of clause 3(A)); *plus*

(z) the portion (proportionate to the Company's equity interest in such Subsidiary) of the Fair Market Value of the assets less liabilities of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; *plus*

(D) the cash return, and the fair market value of property received, after the Issue Date, on any other Investment made after the Issue Date pursuant to this paragraph, as a result of any sale, repayment, redemption, liquidating distribution or other realization (not included in Consolidated Net Income); *plus*

(E) U.S.$10 million (or the equivalent in other currencies).

Notwithstanding the preceding paragraph, this covenant does not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration pursuant to the preceding paragraph;

(2) the acquisition of any shares of Capital Stock of the Company,

(x) in exchange for Qualified Capital Stock of the Company; or

(y) through the application of the net cash proceeds received by the Company from a substantially concurrent sale of Qualified Capital Stock of the Company or a contribution to the equity capital of the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Company;

provided, that the value of any such Qualified Capital Stock issued in exchange for such acquired Capital Stock and any such net cash proceeds will be excluded from clause (3)(B) of the first paragraph of this covenant (and were not included therein at any time);

(3) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Subsidiary of the Company, of:

(x) Qualified Capital Stock of the Company; or

(y) Refinancing Indebtedness for such Subordinated Indebtedness;

provided, that the value of any Qualified Capital Stock issued in exchange for Subordinated Indebtedness and any net cash proceeds referred to above shall be excluded from clause (3)(B) of the first paragraph of this covenant (and were not included therein at any time);

(4) repurchases by the Company of Capital Stock of the Company or options, warrants or other securities exercisable or convertible into Capital Stock of the Company from employees or directors of the Company or any of its Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of the employees or directors, in an amount not to exceed U.S.$5 million (or the equivalent in other currencies) in any calendar year and U.S.$10 million (or the equivalent in other currencies) in the aggregate;

(5) the repurchase of any Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount thereof in the event of (x) a change of control pursuant to a provision no more favorable to the holders thereof than "Repurchase of Notes Upon a Change of Control" or (y) an Asset Sale pursuant to a provision no more favorable to the holders thereof than "Limitation on Asset Sales," provided that, in each case, prior to the repurchase the Company has made an Offer to Purchase and repurchased all Notes issued under the indenture that were validly tendered for payment in connection with the offer to purchase;

(6) repurchases of Capital Stock deemed to occur upon the exercise of stock options if the Capital Stock represent all or a portion of the exercise price thereof (or related withholding taxes), and Restricted Payments by the Company to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of the Company;

(7) if no Default or Event of Default has occurred and is continuing, the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary or Preferred Stock of any Restricted Subsidiary issued in accordance with the covenant described under "— Limitation on Incurrence of Additional Indebtedness" to the extent such payment of any redemption price or liquidation value of any such Disqualified Stock or Preferred Stock is made when due in accordance with its terms;

(8) payments to Holdings of (i) amounts necessary to pay taxes, in an amount not to exceed the amount of taxes attributable to Parent, Holdings or the Company, to the extent payable by Parent or Holdings, plus (ii) up to U.S.$500,000 per fiscal year for corporate overhead expenses; and

(9) if no Default or Event of Default has occurred and is continuing or would exist after giving *pro forma* effect thereto, Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (9), does not exceed U.S.$25 million (or the equivalent in other currencies).

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend) and (4) above will be included in such calculation and amounts expended pursuant to clauses (2), (3), (5), (6), (7), (8) and (9) above will not be included in such calculation.

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Company or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Limitation on Asset Sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets sold or otherwise disposed of; and

(b) at least 75% of the consideration received for the assets sold by the Company or the Restricted Subsidiary, as the case may be, in the Asset Sale is in the form of (1) cash or Cash Equivalents; (2) assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; (3) Capital Stock in a Person engaged solely in a Permitted Business that will become a Restricted Subsidiary as a result of such Asset Sale or (4) a combination of cash, Cash Equivalents and such assets. For purposes of this clause (b), the assumption by the purchasers of Indebtedness or other obligations (other than Subordinated Debt) of the Company or a Restricted Subsidiary pursuant to a customary novation agreement, and instruments or securities received from the purchasers that are promptly, but in any event within 90 days of the closing, converted by the Company or a Restricted Subsidiary to cash, to the extent of the cash actually so received, shall be considered cash received at closing.

The Company or such Restricted Subsidiary, as the case may be, may apply the Net Cash Proceeds of any such Asset Sale within 365 days thereof to:

(1) repay, prepay or purchase any Senior Indebtedness of the Company or any Restricted Subsidiaries, in each case for borrowed money or constituting a Capitalized Lease Obligation and permanently reduce the commitments with respect thereto without Refinancing; or

(2) purchase:

(A) assets (other than current assets as determined in accordance with GAAP or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; or

(B) Capital Stock of a Person engaged solely in a Permitted Business that will become, upon purchase, a Restricted Subsidiary,

from a Person other than the Company and its Restricted Subsidiaries; or

(3) any combination of (1) and (2).

To the extent all or a portion of the Net Cash Proceeds of any Asset Sale are not applied within the 365 days of the Asset Sale as described in clauses (1), (2) or (3) of the immediately preceding paragraph, the Company will make an offer to purchase Notes (the "Asset Sale Offer"), at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus any accrued and unpaid interest thereon, to the purchase date (the "Asset Sale Offer Amount"). The Company will purchase pursuant to an Asset Sale Offer from all tendering Holders on a *pro rata* basis, and, at the Company's option, on a *pro rata* basis with the holders of any other Senior Indebtedness with similar provisions requiring the Company to offer to purchase the other Senior Indebtedness with the proceeds of Asset Sales, that principal amount (or accreted value in the case of Indebtedness issued with original issue discount) of Notes and the other Senior Indebtedness to be purchased equal to such unapplied Net Cash Proceeds. The Company may satisfy its obligations under this covenant with respect to the Net Cash Proceeds of an Asset Sale by making an Asset Sale Offer prior to the expiration of the relevant 365-day period.

The purchase of Notes pursuant to an Asset Sale Offer will occur not less than 20 Business Days following the date thereof, or any longer period as may be required by applicable law or regulation, nor more than 45 days following the 365th day following the Asset Sale. The Company may, however, defer an Asset Sale Offer until there is an aggregate amount of unapplied Net Cash Proceeds from one or more Asset Sales equal to or in excess of U.S.$100 million (or the equivalent in other currencies). At that time, the entire amount of unapplied Net Cash Proceeds, and not just the amount in excess of U.S.$100 million (or the equivalent in other currencies), will be applied as required pursuant to this covenant.

Pending application in accordance with this covenant, Net Cash Proceeds will be applied to temporarily reduce revolving credit borrowings that can be reborrowed or Invested in Cash Equivalents.

Each notice of an Asset Sale Offer will be mailed first class, postage prepaid, to the registered Holders no later than 20 days following such 365th day, with a copy to the Trustee offering to purchase the Notes as described above. Each notice of an Asset Sale Offer will state, among other things, the purchase date, which must be at least 30 and not more than 60 days from the date the notice is mailed, other than as may be required by law (the "Asset Sale Offer Payment Date"). Upon receiving notice of an Asset Sale Offer, Holders may elect to tender their Notes in whole or in part in integral multiples of U.S.$1,000 in exchange for cash; *provided* that the principal amount of such tendering Holder's Note will not be less than U.S.$100,000.

On the Asset Sale Offer Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Asset Sale Offer;

(2) deposit with the Paying Agent funds in an amount equal to the Asset Sale Offer Amount in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

To the extent that Holders of Notes and holders of other Senior Indebtedness, if any, which are the subject of an Asset Sale Offer properly tender and do not withdraw Notes or the other Senior Indebtedness in an aggregate amount exceeding the amount of unapplied Net Cash Proceeds, the Company will purchase the Notes and the other Senior Indebtedness on a *pro rata* basis (based on amounts tendered). If only a portion of a Note is purchased pursuant to an Asset Sale Offer, a new Note in a principal amount equal to the portion thereof not purchased will be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note will be made, as appropriate). Notes (or portions thereof) purchased pursuant to an Asset Sale Offer will be cancelled and cannot be reissued.

Upon completion of an Asset Sale Offer, the amount of Net Cash Proceeds will be reset at zero. Accordingly, to the extent that the aggregate amount of Notes and other Senior Indebtedness tendered pursuant to an Asset Sale Offer is less than the aggregate amount of unapplied Net Cash Proceeds, the Company may use any remaining Net Cash Proceeds for general corporate purposes of the Company and its Restricted Subsidiaries.

If at any time any non-cash consideration received by the Company or any Restricted Subsidiary, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any non-cash consideration), the conversion or disposition will be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof will be applied in accordance with this covenant within 365 days of conversion or disposition.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent any such rule, laws and regulations are applicable in connection with the purchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the "Asset Sale" provisions of the Indenture, the Company will comply with these laws and regulations and will not be deemed to have breached its obligations under the "Asset Sale" provisions of the Indenture by doing so.

Limitation on Designation of Unrestricted Subsidiaries

The Company may designate after the Issue Date any Subsidiary of the Company as an "Unrestricted Subsidiary" under the Indenture (a "Designation") only if:

(1) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Designation and any transactions between the Company or any of its Restricted Subsidiaries and such Unrestricted Subsidiary are in compliance with "— Limitation on Transactions with Affiliates;" and

(2) the Company would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to the first paragraph of "— Limitation on Restricted Payments" in an amount (the "Designation Amount") equal to the amount of the Company's Investment in such Subsidiary on such date.

Neither the Company nor any Restricted Subsidiary will at any time, except as permitted by "— Limitation on Incurrence of Additional Indebtedness" and "— Limitation on Restricted Payments":

(1) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);

(2) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary; or

(3) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of any Unrestricted Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Company or any Restricted Subsidiary of the Capital Stock of any Unrestricted Subsidiary.

The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") only if:

(1) no Default or Event of Default has occurred and is continuing at the time of and after giving effect to such Revocation; and

(2) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

Upon a Restricted Subsidiary becoming an Unrestricted Subsidiary,

(1) all existing Investments of the Company and the Restricted Subsidiaries therein (valued at the Company's proportional share of the fair market value of its assets less liabilities) will be deemed made at that time;

(2) all existing Capital Stock or Indebtedness of the Company or a Restricted Subsidiary held by it will be deemed Incurred at that time, and all Liens on property of the Company or a Restricted Subsidiary held by it will be deemed incurred at that time;

(3) all existing transactions between it and the Company or any Restricted Subsidiary will be deemed entered into at that time;

(4) it is released at that time from its Subsidiary Guarantee, if any; and

(5) it will cease to be subject to the provisions of the indenture as a Restricted Subsidiary.

Upon an Unrestricted Subsidiary becoming, or being deemed to become, a Restricted Subsidiary,

(1) all of its Indebtedness and Disqualified or Preferred Stock will be deemed Incurred at that time for purposes of "— Limitation on Incurrence of Additional Indebtedness";

(2) Investments therein previously charged under "Limitation on Restricted Payments" will be credited thereunder;

(3) it may be required to issue a Subsidiary Guarantee; and

(4) it will thenceforward be subject to the provisions of the indenture as a Restricted Subsidiary (and, if applicable, a Non-Guarantor Restricted Subsidiary).

The Designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by Board Resolutions of the Company's Board of Directors, delivered to the Trustee certifying compliance with the preceding provisions.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided in paragraph (b) below, the Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on or in respect of its Capital Stock to the Company or any other Restricted Subsidiary or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(2) make loans or advances to, or Guarantee any Indebtedness or other obligations of, or make any Investment in, the Company or any other Restricted Subsidiary; or

(3) transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) Paragraph (a) above of this covenant will not apply to encumbrances or restrictions existing under or by reason of:

(1) applicable law, rule, regulation or order;

(2) the Indenture, the Notes or the Subsidiary Guarantees;

(3) the terms of any Indebtedness outstanding on the Issue Date, and any amendments or restatements thereof; *provided* that any amendment or restatement is not materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Issue Date;

(4) the Franchise Documents or the L/C Documents;

(5) the terms of any binding agreement with respect to any Restricted Subsidiary relating to its Capital Stock or assets in effect on the Issue Date, and any amendments or restatements thereof; *provided* that any

amendment or restatement is not materially more restrictive with respect to such encumbrances or restrictions than those in existence on the Issue Date;

(6) restrictions on the transfer of assets subject to any Permitted Lien;

(7) customary provisions restricting the ability of any Restricted Subsidiary to undertake any action described in clauses (a)(1) through (a)(3) above in joint venture agreements and other similar agreements entered into in the ordinary course of business and with the approval of the Company's Board of Directors;

(8) customary restrictions on cash or other deposits imposed by customers under contracts or other arrangements entered into or agreed to in the ordinary course of business;

(9) customary non-assignment provisions of any license agreement or other contract and customary provisions restricting assignment or subletting in any lease governing a leasehold interest of any Restricted Subsidiary, or any customary restriction on the ability of a Restricted Subsidiary to dividend, distribute or otherwise transfer any asset that is subject to a Lien that secures Indebtedness, in each case permitted to be Incurred under the Indenture;

(10) restrictions with respect to a Restricted Subsidiary of the Company imposed pursuant to a binding agreement which has been entered into for the sale or disposition of Capital Stock or assets of such Restricted Subsidiary; *provided* that such restrictions apply solely to the Capital Stock or assets of such Restricted Subsidiary being sold;

(11) customary restrictions imposed on the transfer of copyrighted or patented materials;

(12) Purchase Money Indebtedness and Capital Lease Obligations that impose encumbrances and restrictions only on the assets so acquired or subject to lease;

(13) restrictions (A) with respect to any Person, or to the property or assets of any Person, at the time the Person is acquired by the Company or any Restricted Subsidiary, or (B) with respect to any Unrestricted Subsidiary at the time it is designated or is deemed to become a Restricted Subsidiary, which encumbrances or restrictions (i) are not applicable to any other Person or the property or assets of any other Person and (ii) were not put in place in anticipation of such event and any extensions, renewals, replacements or refinancings of any of the foregoing, *provided* that the encumbrances and restrictions in the extension, renewal, replacement or refinancing are, taken as a whole, no less favorable in any material respect to the noteholders than the encumbrances or restrictions being extended, renewed, replaced or refinanced;

(14) pursuant to provisions in instruments governing other Indebtedness, Disqualified Stock or Preferred Stock of Restricted Subsidiaries permitted to be Incurred after the Issue Date pursuant to the provisions of the "Limitation on Incurrence of Additional Indebtedness" covenant; *provided* that (i) such provisions are customary for instruments of such type (as determined in good faith by the Company's Board of Directors) and (ii) the Company's Board of Directors determines in good faith that such restrictions will not materially adversely impact the ability of the Company to make required principal and interest payments on the notes;

(15) customary restrictions pursuant to any Permitted Receivables Financing; and

(16) an agreement governing Indebtedness Incurred to Refinance the Indebtedness issued, assumed or Incurred pursuant to an agreement referred to in clauses (1) — (16) of this paragraph (b); provided that such Refinancing agreement is not materially more restrictive with respect to such encumbrances or restrictions than those contained in the agreement referred to in such clauses (1) — (16).

Limitation on Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness or trade payables, unless contemporaneously therewith effective provision is made to secure the Notes, the Subsidiary Guarantees and all other amounts due under the Indenture equally and ratably with such Indebtedness or other obligation (or, in the event that such Indebtedness is subordinated in right of payment to the

Notes or the Subsidiary Guarantees prior to such Indebtedness or other obligation) with a Lien on the same properties and assets securing such Indebtedness or other obligation for so long as such Indebtedness or other obligation is secured by such Lien.

Limitation on Merger, Consolidation and Sale of Assets

The Company will not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(a) either:

(1) the Company is the surviving or continuing corporation; or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Surviving Entity"):

(A) is a corporation organized and validly existing under the laws of the Netherlands or the United States of America, any State thereof or the District of Columbia; and

(B) expressly assumes, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of the covenants of the Notes and the Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including giving effect on a *pro forma* basis to any Indebtedness (including any Acquired Indebtedness) Incurred or anticipated to be Incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, will be able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to clause (1) of "Limitation on Incurrence of Additional Indebtedness" or the Net Debt to EBITDA Ratio will be no worse than immediately prior to such transaction;

(c) immediately before and immediately after giving effect to such transaction and the assumption contemplated by clause (a)(2)(B) above (including, without limitation, giving effect on a *pro forma* basis to any Indebtedness (including any Acquired Indebtedness) Incurred or anticipated to be Incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default has occurred or is continuing;

(d) each Subsidiary Guarantor has confirmed by supplemental indenture that its Subsidiary Guarantee will apply for the Obligations of the Surviving Entity in respect of the Indenture and the Notes; and

(e) if the Company is organized under the laws of the Netherlands and merges with a corporation that is (or the Surviving Entity is) organized under the laws of the United States, any State thereof or the District of Columbia, or if the Company is organized under the laws of the United States, any State thereof or the District of Columbia and merges with a corporation that is (or the Surviving Entity is) organized under the laws of the Netherlands, the Company or the Surviving Entity will have delivered to the Trustee:

(1) an Opinion of Counsel from U.S. counsel to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the transaction and will be subject to U.S. federal income tax in the same manner and on the same amounts (assuming solely for this purpose that no Additional Amounts are required to be paid on the Notes) and at the same times as would have been the case if the transaction had not occurred; and

(2) an Opinion of Counsel from Netherlands counsel to the effect that Holders of the Notes will not recognize income, gain or loss for Netherlands income tax purposes as a result of the transaction and will

be subject to Netherlands income taxes in the same manner and on the same amounts (assuming solely for this purpose that no Additional Amounts are required to be paid on the Notes) and at the same times as would have been the case if the transaction had not occurred.

(f) the Company or the Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

For purposes of this covenant, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company (determined on a consolidated basis for the Company and its Restricted Subsidiaries), will be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The provisions of clauses (b) and (c) above will not apply to any merger or consolidation of the Company into an Affiliate of the Company incorporated solely for the purpose of reincorporating the Company in another jurisdiction so long as the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

The foregoing shall not apply to (i) any transfer of assets by the Company to any Subsidiary Guarantor, (ii) any transfer of assets among Subsidiary Guarantors or (iii) any transfer of assets by a Non-Guarantor Restricted Subsidiary to (x) another Non-Guarantor Restricted Subsidiary or (y) the Company or any Subsidiary Guarantor.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Surviving Entity formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes with the same effect as if such Surviving Entity had been named as such and the Company shall be relieved of its obligations under the Indenture and the Notes. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Surviving Entity, if applicable) under "— Change of Control," if applicable.

No Subsidiary Guarantor may consolidate with or merge with or into any Person, or sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or permit any Person to merge with or into the Subsidiary Guarantor unless:

(a) the other Person is the Company or any Restricted Subsidiary that is a Subsidiary Guarantor or becomes a Subsidiary Guarantor concurrently with the transaction; or

(b) (1) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes by supplemental indenture all of the obligations of the Subsidiary Guarantor under its Subsidiary Guarantee; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the indenture.

Limitation on Transactions with Affiliates

(1) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or

exchange of any property or the rendering of any service) with, or for the benefit of, any of its Affiliates (each an "Affiliate Transaction"), unless:

(a) the terms of such Affiliate Transaction are no less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company;

(b) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$15 million (or the equivalent in other currencies), the terms of such Affiliate Transaction will be set forth in an Officers' Certificate delivered to the Trustee stating that such transaction complies with clause (a) above;

(c) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$20 million (or the equivalent in other currencies), the terms of such Affiliate Transaction will be approved by a majority of the members of the Company's Board of Directors (including a majority of the disinterested members thereof), the approval to be evidenced by a Board Resolution stating that the Board of Directors has determined that such transaction complies with clause (a) above; and

(d) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value, in excess of U.S.$25 million (or the equivalent in other currencies), the Company will, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company and any such Restricted Subsidiary, if any, from a financial point of view from an Independent Financial Advisor and file the same with the Trustee.

(2) Paragraph (1) above will not apply to:

(a) Affiliate Transactions with or among the Company and any Restricted Subsidiary or between or among Restricted Subsidiaries;

(b) reasonable fees and compensation paid to, and any indemnity provided on behalf of, officers, directors and employees of the Company or any Restricted Subsidiary;

(c) Affiliate Transactions undertaken pursuant to the terms of any agreement or arrangement to which the Company or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements or arrangements may be amended, modified, supplemented, extended, renewed or replaced from time to time; *provided* that any future amendment, modification, supplement, extension, renewal or replacement entered into after the Issue Date will be permitted to the extent that its terms are not more materially disadvantageous to the Holders of the Notes than the terms of the agreements or arrangements in effect on the Issue Date;

(d) the entering into of a customary agreement providing registration rights to the shareholders of the Company and the performance of such agreements;

(e) transactions or payments, including grants of securities, stock options and similar rights, pursuant to any employee, officer or director compensation or benefit plans or arrangements entered into in the ordinary course of business or approved by the Company's Board of Directors in good faith;

(f) any employment agreements entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business;

(g) any Restricted Payments made in compliance with "— Limitation on Restricted Payments" and Permitted Investments;

(h) sales of Accounts Receivable, or participations therein, or any related transaction, in connection with any Permitted Receivables Financing;

(i) loans and advances to officers, directors and employees of the Company or any Restricted Subsidiary in the ordinary course of business and not exceeding U.S.$10 million (or the equivalent in other currencies) outstanding at any one time; and

(j) cost-sharing arrangements among the Company and any of its Restricted and Unrestricted Subsidiaries.

Conduct of Business

The Company and its Restricted Subsidiaries will not engage in any business other than a Permitted Business.

Reports to Holders

So long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will furnish to the Holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The Company will furnish or cause to be furnished to the Trustee in English (for distribution only to the Holders of Notes)

- within 90 days after the end of the first, second and third quarters of the Company's fiscal year (commencing with the quarter ending September 30, 2009), quarterly unaudited financial statements (consolidated) prepared in accordance with GAAP of the Company for such period; and

- within 120 days after the end of the fiscal year of the Company commencing with the fiscal year ended December 31, 2009, annual audited financial statements (consolidated) prepared in accordance with GAAP of the Company for such fiscal year and a report on such annual financial statements by the Auditors.

Each such annual report will include a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and be accompanied by an Officer's Certificate to the effect that (A) the financial statements contained in such report fairly present, in all material respects, the consolidated financial condition of the Company and its Subsidiaries as of the date of such financial statement and the results of their operations for the period covered thereby; and (B) such financial statements have been prepared in accordance with GAAP.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's or any other Person's compliance with any of its covenants under the Indenture or the Notes (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

The Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Company's or any other Person's compliance with the covenants described above or with respect to any reports or other documents filed under the Indenture; provided, however, that nothing herein shall relieve the Trustee of any obligations to monitor the Company's timely delivery of all reports and certificates described in this section "— Reports to Holders."

Use of Proceeds

The Company agrees to use the net proceeds of the sale of the Notes as set forth under "Use of Proceeds" in this offering memorandum to repay the U.S.$350 million of outstanding Indebtedness under the Credit Agreement and will repay the U.S.$350 million of outstanding Indebtedness under the Credit Agreement within 15 days following the Issue Date.

Covenant Suspension

If on any date following the Issue Date (i) the Notes have Investment Grade Ratings from at least two of Fitch, Moody's and S&P, and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "Covenant Suspension Event"), the Company and its Restricted Subsidiaries will not be subject to the following covenants (collectively, the "Suspended Covenants"):

(1) "— Covenants — Limitation on Incurrence of Additional Indebtedness;"

(2) "— Covenants — Limitation on Restricted Payments;"

(3) "— Covenants — Limitation on Asset Sales;"

(4) "— Covenants — Limitation on Designation of Unrestricted Subsidiaries;"

(5) "— Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;"

(6) clause (b) of the first paragraph of "— Covenants — Limitation on Merger, Consolidation and Sale of Assets;" and

(7) "— Covenants — Limitation on Transactions with Affiliates."

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") at least two of Fitch, Moody's or S&P no longer rate the Notes Investment Grade, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants under the Indenture.

The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this description as the "Suspension Period." In the event of any such reinstatement, no action taken or omitted to be taken by the Company or any of its Restricted Subsidiaries prior to such reinstatement will give rise to a Default or Event of Default under the Indenture with respect to Notes; provided that (1) with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made will be calculated as though the covenant described under "— Covenants — Limitation on Restricted Payments" had been in effect prior to, but not during, the Suspension Period, provided that any Subsidiaries designated as Unrestricted Subsidiaries during the Suspension Period shall automatically become Restricted Subsidiaries on the Reversion Date (subject to the Company's right to subsequently designate them as Unrestricted Subsidiaries pursuant to "— Covenants — Limitation on Designation of Unrestricted Subsidiaries"), and (2) all Indebtedness Incurred, or Disqualified Capital Stock or Preferred Stock issued, during the Suspension Period will be classified to have been Incurred or issued pursuant to clause (b) of the second paragraph of "— Covenants — Limitation on Incurrence of Additional Indebtedness."

The Notes may never achieve or maintain Investment Grade Ratings.

Notices

Notices to Holders of Notes will be mailed to them at their registered addresses.

In addition, from and after the date the Notes are listed on Luxembourg Stock Exchange for trading on the Euro MTF Market and so long as it is required by the rules of such exchange, all notices to Holders of Notes will be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which currently is expected to be *Luxemburger Wort*); or alternatively the Issuer may also publish a notice on the website of the Luxembourg Stock Exchange (http://www.bourse.lu).

(2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it will be published in Saturday, Sunday or holiday editions.

Notices will be deemed to have been given on the date of mailing or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Events of Default

The following are "Events of Default" with respect to the Notes:

(1) default in the payment when due of the principal of or premium, if any, on (including, in each case, any related Additional Amounts) any Notes, including the failure to make a required payment to purchase

Notes tendered pursuant to an optional redemption, mandatory redemption, Change of Control Offer or an Asset Sale Offer;

(2) default for 30 days or more in the payment when due of interest (including any related Additional Amounts) on any Notes;

(3) the failure to perform or comply with any of the provisions described under "— Covenants — Limitations Merger, Consolidation and Sale of Assets;"

(4) the failure by the Company or any Restricted Subsidiary to comply with any other covenant or agreement contained in the Indenture or the Notes for 60 days or more after written notice to the Company thereof from the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Notes;

(5) default by the Company or any Restricted Subsidiary under any Indebtedness which:

(a) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of any applicable grace period provided in such Indebtedness on the date of such default; or

(b) results in the acceleration of such Indebtedness prior to its Stated Maturity;

and the principal or accreted amount of Indebtedness covered by clause (a) or (b) at the relevant time, (i) in the case of any or all Venezuelan Subsidiaries aggregates U.S.$50 million (or the equivalent in other currencies) or (ii) in the case of the Company and all other Restricted Subsidiaries (other than any and all Venezuelan Subsidiaries) aggregates U.S.$25 million (or the equivalent in other currencies) or more;

(6) failure by the Company or any of its Restricted Subsidiaries to pay one or more final judgments against any of them, (i) in the case of any and all Venezuelan Subsidiaries aggregating U.S.$50 million (or the equivalent in other currencies) or (ii) in the case of the Company and all other Restricted Subsidiaries (other than any and all Venezuelan Subsidiaries) aggregating U.S.$25 million (or the equivalent in other currencies) or more, which are not paid, discharged or stayed for a period of 60 days or more (to the extent not covered by a reputable and creditworthy insurance company);

(7) either Master Franchise Agreement shall, for any reason, be terminated; *provided* that no Call Option Redemption Event shall have occurred;

(8) certain events of bankruptcy affecting the Company or any of its Restricted Subsidiaries or group of Subsidiaries that, taken together, would constitute a Significant Subsidiary; or

(9) except as permitted by the Indenture, any Subsidiary Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee; *provided* that the Subsidiary Guarantee of a Subsidiary Guarantor becoming unenforceable or invalid as a result of a change in law shall not constitute an Event of Default under the Indenture if the Company reclassifies such Subsidiary as a Non-Guarantor Restricted Subsidiary within 30 days of the announcement of such change in law; and *provided further* that it shall not be an Event of Default under the Indenture if a Subsidiary Guarantee of a Venezuelan Subsidiary is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect as a result of a change in law in Venezuela after the Issue Date.

If an Event of Default (other than an Event of Default specified in clauses (7) or (8) above with respect to the Company) has occurred and is continuing, the Trustee or the Holders of at least 25% in principal amount of outstanding Notes may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company and the Trustee specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in clauses (7) or (8) above occurs with respect to the Company, then the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences:

(1) if the rescission would not conflict with any judgment or decree;

(2) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(3) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(4) if the Company has paid the Trustee its compensation and reimbursed the Trustee for its expenses, disbursements and advances outstanding at that time.

No rescission will affect any subsequent Default or impair any rights relating thereto.

The Holders of a majority in principal amount of the Notes may waive any existing Default or Event of Default under the Indenture, and its consequences, except a default in the payment of the principal of, premium, if any, or interest on any Notes.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity reasonably satisfactory to it. Subject to all provisions of the Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then outstanding Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

No Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless:

(1) such Holder gives to the Trustee written notice of a continuing Event of Default;

(2) Holders of at least 25% in principal amount of the then outstanding Notes make a written request to pursue the remedy;

(3) such Holders of the Notes provide to the Trustee satisfactory indemnity;

(4) the Trustee does not comply within 60 days; and

(5) during such 60-day period the Holders of a majority in principal amount of the outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note.

Notwithstanding anything to the contrary, the right of a holder of a note to receive payment of principal of or interest on its note on or after the Stated Maturity thereof, or to bring suit for the enforcement of any such payment on or after such dates, may not be impaired or affected without the consent of that holder. The time of validity of a holder to claim to payment of interest and repayment of principal is six months.

The Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee written notice of such Default or Event of Default, the status thereof and what action the Company is taking or proposes to take in respect thereof. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous fiscal year. In the absence of any such notice of Default or Event of Default from the Company and any description of any Default or Event of Default in such Officers' Certificate, the Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default. The Indenture provides that if a Default or Event of Default occurs, is continuing and is actually known to a responsible officer of the Trustee, the Trustee must mail to each Holder notice of the Default or Event of Default within 45 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of its trust officers in good faith determines that withholding notice is in the interests of the Holders.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have its obligations discharged with respect to the outstanding Notes and all obligations of the Subsidiary Guarantors discharged with respect to the Subsidiary Guarantees ("Legal Defeasance"). Legal Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes on the 91st day after the deposit specified in clause (1) of the second following paragraph, except for:

(1) the rights of Holders to receive payments in respect of the principal of, premium, if any, and interest on, the Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments;

(3) the rights, powers, trust, duties and immunities of the Trustee and the Company's obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations released with respect to the covenants that are described under "— Covenants" (other than "Limitation on Merger, Consolidation and Sale of Assets") ("Covenant Defeasance") and thereafter any omission to comply with such obligations will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (other than non-payment and bankruptcy, receivership, reorganization and insolvency events with respect to the Company) described under "— Events of Default" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders cash in U.S. dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest (including Additional Amounts) on the Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(2) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized law firm in the U.S. reasonably acceptable to the Trustee and independent of the Company to the effect that:

(a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized law firm in the U.S. reasonably acceptable to the Trustee and independent of the Company to the effect that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of the deposit pursuant to clause (1) of this paragraph (except any Default or Event of Default resulting from any failure to comply with

"— Covenants — Limitation on Incurrence of Additional Indebtedness" as a result of the borrowing of the funds required to effect such deposit);

(5) the Company has delivered to the Trustee an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others; and

(7) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(8) the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(1) either:

(a) all the Notes theretofor authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofor been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(b) all Notes not theretofor delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or certain direct, non-callable obligations of, or guaranteed by, the United States sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not theretofor delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment; and

(2) the Company has paid all other sums payable under the Indenture and the Notes by it; and

(3) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with.

Modification of the Indenture

From time to time, the Company and the Trustee, without the consent of the Holders, may amend, modify or supplement the Indenture and the Notes for the following purposes:

(1) to cure any ambiguity, omission, defect or inconsistency contained therein;

(2) to provide for the assumption by a successor Person of the obligations of the Company or a Subsidiary Guarantor under the Indenture;

(3) to add Subsidiary Guarantees or additional Guarantees with respect to the Notes or release a Subsidiary Guarantee in accordance with the terms of the Indenture;

(4) to secure the Notes;

(5) to add to the covenants of the Company for the benefit of the Holders or surrender any right or power conferred upon the Company;

(6) to provide for the issuance of additional Notes in accordance with the Indenture;

(7) to evidence the replacement of the Trustee as provided for under the Indenture;

(8) if necessary, in connection with any release of any security permitted under the Indenture;

(9) to make any other change that does not adversely affect the rights of any Holder in any material respect;

(10) to provide for uncertificated Notes in addition to or in place of certificated Notes; or

(11) to conform the text of the Indenture, the Subsidiary Guarantees or the Notes to any provision of this "Description of the Notes."

Other modifications to, amendments of, and supplements to, the Indenture or the Notes may be made with the consent of the Holders of a majority in principal amount of the then outstanding Notes issued under the Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

(1) reduce the percentage of the principal amount of the Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change or have the effect of changing the time for payment of interest on any Notes;

(3) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;

(4) make any Notes payable in money other than that stated in the Notes;

(5) make any change in provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Notes on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;

(6) amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control that has occurred or make and consummate an Asset Sale Offer with respect to any Asset Sale that has been consummated;

(7) eliminate or modify in any manner a Restricted Subsidiary's obligations with respect to its Subsidiary Guarantee which adversely affects Holders in any material respect, except as contemplated in the Indenture;

(8) make any change in the provisions of the Indenture described under "— Additional Amounts" that adversely affects the rights of any Holder or amend the terms of the Notes in a way that would result in a loss of exemption from any applicable taxes; and

(9) make any change to the provisions of the Indenture or the Notes that adversely affects the ranking of the Notes.

Governing Law; Jurisdiction

The Indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York.

The Company will submit to the jurisdiction of the U.S. federal and New York state courts located in The City of New York, Borough of Manhattan and will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture or the Notes.

The Trustee

Citibank, N.A. is the Trustee under the Indenture. The principal office of the Trustee at which its corporate trust business is administered is located at (a) 111 Wall Street, 15th Floor, New York, NY 10005, Attention 15th Floor Window for note transfer purposes and presentment of notes for final payment thereon and (b) 388 Greenwich Street, 14th Floor, New York, New York 10013, Attention Global Transaction Services, Arcos Dorados, for all other purposes.

Except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

No Personal Liability

No past, present or future incorporator, director, officer, employee, shareholder or controlling person, as such, of the Company or any Subsidiary Guarantor will have any liability for any obligations of the Company under the Notes, the Indenture or the Subsidiary Guarantee or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the U.S. federal securities laws or under Netherlands corporate law.

Currency Indemnity

The Company, and each Subsidiary Guarantor, will pay all sums payable under the Indenture, the Notes or its Subsidiary Guarantee, as applicable, solely in U.S. Dollars. Any amount that you receive or recover in a currency other than U.S. Dollars in respect of any sum expressed to be due to you from the Company and any Subsidiary Guarantor, will only constitute a discharge to us to the extent of the U.S. Dollar amount which you are able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which you are able to do so. If the U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to you under any Note, the Company and the relevant Subsidiary Guarantor, will indemnify you against any loss you sustain as a result. In any event, the Company will indemnify you against the cost of making any purchase of U.S. Dollars. For the purposes of this paragraph, it will be sufficient for you to certify in a satisfactory manner that you would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which you were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above:

- constitute a separate and independent obligation from the other obligations of the Company and the Subsidiary Guarantors;
- will give rise to a separate and independent cause of action;
- will apply irrespective of any indulgence granted by any Holder; and
- will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note.

Listing

In the event that the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Company will use its best efforts to maintain such listing; *provided* that if, as a result of the European Union

regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive or other directives or legislation, the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the Notes from the Luxembourg Stock Exchange in accordance with the rules of the exchange and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Company's Board of Directors may decide.

Certain Definitions

The following sets forth certain of the defined terms used in the Indenture. Reference is made to the Indenture for full disclosure of all such terms, as well as any other terms used herein for which no definition is provided.

"Accounts Receivable" means (1) accounts receivable, (2) franchise fee payments and other revenues related to franchise agreements, (3) royalty and other similar payments made related to the use of trade names and other intellectual property, business support, training and other services and (4) revenues related to distribution and merchandising of the products of the Company and its Restricted Subsidiaries.

"Acquired Indebtedness" means Indebtedness of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Acquired Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Company or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"Additional Amounts" has the meaning set forth under "— Additional Amounts" above.

"Additional Notes" has the meaning set forth under "— General" above.

"Affiliate" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. Solely for purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Asset Acquisition" means:

(1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Company or any Restricted Subsidiary; or

(2) the acquisition by the Company or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Company) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary.

"Asset Sale" means (1) any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including, without limitation, a Sale and Leaseback Transaction (each, a "disposition"), by the Company or any Restricted Subsidiary of:

(a) any Capital Stock other than Capital Stock of the Company (other than directors' qualifying shares and shares issued to foreign nationals to the extent required by applicable law); or

(b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Company or any Restricted Subsidiary; and

(2) the exercise by McDonald's of the McDonald's Call Option in respect of any Subsidiary of the Company other than the Master Franchisee or the Brazilian Master Franchisee

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) the disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries as permitted under "— Covenants — Merger, Consolidation and Sale of Assets" or any disposition which constitutes a Change of Control;

(2) the sale of property or equipment that, in the reasonable determination of the Company, has become worn out, obsolete or damaged or otherwise unused in connection with the business of the Company or any Restricted Subsidiary;

(3) sales or other dispositions of equipment, inventory, accounts receivable or other assets in the ordinary course of business;

(4) for purposes of "— Covenants — Limitation on Asset Sales" only, the making of a Restricted Payment permitted under "— Covenants — Limitation on Restricted Payments" and any Permitted Investment;

(5) a disposition to the Company or a Restricted Subsidiary, including a Person that is or will become a Restricted Subsidiary immediately after the disposition;

(6) the creation of a Permitted Lien;

(7) sales of Accounts Receivable, or participations therein, and any related assets, in connection with any Permitted Receivables Financing;

(8) dispositions of receivables and related assets or interests in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(9) (i) the licensing or sublicensing of intellectual property or other general intangibles, including entering into cross-licensing arrangements, in the ordinary course of business and (ii) the abandonment or other disposition of intellectual property that is, in the reasonable judgment of management of the Company or the relevant Restricted Subsidiary, no longer economically convenient to maintain or useful in the conduct of the Permitted Business;

(10) any sale of Capital Stock in, or Indebtedness of other securities of, an Unrestricted Subsidiary; and

(11) any transaction or series of related transactions involving property or assets with a Fair Market Value not in excess of U.S.$3.5 million (or the equivalent in other currencies).

"Asset Sale Offer" has the meaning set forth under "— Covenants — Limitation on Asset Sales."

"Asset Sale Transaction" means any Asset Sale and, whether or not constituting an Asset Sale, (1) any sale or other disposition of Capital Stock, (2) any Designation with respect to an Unrestricted Subsidiary and (3) any sale or other disposition of property or assets excluded from the definition of Asset Sale by clause (4) of that definition.

"Board of Directors" means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Brazilian Master Franchisee" means Arcos Dourados Comercio de Alimentos Ltda., or any successor to its rights and obligations under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America and Arcos Dourados Comercio de Alimentos Ltda.

"Business Day" means a day other than a Saturday, Sunday or any day on which banking institutions are authorized or required by law to close in New York City, United States or in the Netherlands.

"Call Option Closing Date" means the date on which the equity interests of the Master Franchisee or the Brazilian Master Franchisee are transferred to McDonald's upon McDonald's exercise of the McDonald's Call Option and the Call Option Price in respect thereof is paid by McDonald's to the Company.

"Call Option Price" means the price payable by McDonald's to the Company upon exercise by McDonald's of the McDonald's Call Option in respect of the equity interests of the Master Franchisee or the Brazilian Master Franchisee.

"Call Option Redemption Event" means the occurrence of the Call Option Closing Date and the payment of the Call Option Price by McDonald's to the Company, but only with respect to the Master Franchisee and/or the Brazilian Master Franchisee.

"Capital Stock" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligations" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"Cash Equivalents" means:

(1) U.S. dollars, or money in the local currency of any country in which the Company or any of its Restricted Subsidiaries operates;

(2) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof or any country recognized by the Unites States of America maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the three highest ratings obtainable from either S&P or Moody's or any successor thereto;

(4) commercial paper outstanding at any time issued by any Person that is organized under the laws of the United States of America, any state thereof or any Latin American country recognized by the United States and rated P-1 or better from Moody's or A-1 or better from S&P or, with respect to Persons organized outside of the United States, a local market credit rating at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's and in each case with maturities of not more than 360 days from the date of acquisition thereof;

(5) demand deposits, certificates of deposit, overnight deposits and time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any commercial bank that is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States and at the time of acquisition thereof has capital and surplus in excess of $500 million (or the foreign currency equivalent thereof) and a rating of P-1 or better from Moody's or A-1 or better from S&P or, with respect to a commercial bank organized outside of the United States, a local market credit rating of at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's, or with government owned financial institution that is organized under the laws of any of the countries in which the Company's Restricted Subsidiaries conduct business;

(6) insured demand deposits made in the ordinary course of business and consistent with the Company's or its Subsidiaries' customary cash management policy in any domestic office of any commercial bank organized under the laws of the United States of America or any state thereof;

(7) repurchase obligations with a term of not more than 360 days for underlying securities of the types described in clauses (2), (3) and (4) above entered into with any financial institution meeting the qualifications specified in clause (5) above;

(8) substantially similar investments denominated in the currency of any jurisdiction in which the Company or any of its Restricted Subsidiaries conducts business of issuers whose country's credit rating is at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's; and

(9) investments in money market funds which invest at least 95% of their assets in securities of the types described in clauses (1) through (8) above.

"Change of Control" means the occurrence of one or more of the following events:

(1) The Permitted Holders cease to be the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of 30.0% of the voting power of the Voting Stock of the Company (including any Surviving Entity), the Master Franchisee or the Brazilian Franchisee;

(2) individuals appointed by the Permitted Holders cease for any reason to constitute a majority of the members of the Board of Directors of the Company, the Master Franchisee or the Brazilian Franchisee;

(3) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Company, the Master Franchisee or the Brazilian Franchisee, determined on a consolidated basis, to any "person" (as defined in Sections 13d and 14d under the Exchange Act), whether or not otherwise in compliance with the Indenture, other than a Permitted Holder; or

(4) the approval by the holders of Capital Stock of the Company, the Master Franchisee or the Brazilian Franchisee of any plan or proposal for the liquidation or dissolution of the Company, the Master Franchisee or the Brazilian Franchisee, whether or not otherwise in compliance with the Indenture.

"Change of Control Payment" has the meaning set forth under "— Change of Control."

"Change of Control Payment Date" has the meaning set forth under "— Change of Control."

"Commodity Agreement" means, with respect to any Person, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which such Person is a party designed to manage commodity risk of such Person.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"Consolidated Adjusted EBITDA" means, with respect to any Person for any period, Consolidated Net Income for such Person for such period, *plus* the following (without duplication) to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense for such Person for such period;

(2) Consolidated Income Tax Expense for such Person for such period;

(3) Consolidated Non-cash Charges for such Person for such period;

(4) any non-operating and/or non-recurring charges, expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period; and

(5) the amount of loss on any sale of Accounts Receivables and related assets to a Securitization Subsidiary in connection with a Permitted Receivables Financing;

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period, (y) all cash payments made by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period relating to non-cash charges that were added back in determining Consolidated Adjusted EBITDA in any prior period and (z) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period.

Notwithstanding the foregoing, the items specified in clauses (1) and (3) above for any Subsidiary (Restricted Subsidiary in the case of the Company) will be added to Consolidated Net Income in calculating Consolidated Adjusted EBITDA for any period:

(a) in proportion to the percentage of the total Capital Stock of such Subsidiary (Restricted Subsidiary in the case of the Company) held directly or indirectly by such Person at the date of determination; and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary (Restricted Subsidiary in the case of the Company) pursuant to its charter and bylaws (*estatutos sociales*) and each law, regulation, agreement or judgment applicable to such distribution.

"Consolidated Income Tax Expense" means, with respect to any Person for any period, the provision for federal, state, local and any other income taxes payable by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period as determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum (without duplication) determined on a consolidated basis in accordance with GAAP of:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period determined on a consolidated basis in accordance with GAAP, including, without limitation, the following (whether or not interest expense in accordance with GAAP):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) in the form of additional Indebtedness;

(b) any amortization of deferred financing costs;

(c) the net costs under Hedging Obligations (including amortization of fees) in respect of Indebtedness or that are otherwise treated as interest expense or equivalent under GAAP; *provided* that if Hedging Obligations result in net benefits rather than costs, such benefits will be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such net benefits are otherwise reflected in Consolidated Net Income;

(d) all capitalized interest;

(e) the interest portion of any deferred payment obligation;

(f) any premiums, fees, discounts, expenses and losses on the sale of accounts receivable (and any amortization thereof) payable by the Company or any Restricted Subsidiary in connection with a Permitted Receivables Financing;

(g) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances; and

(h) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Company), whether or not such Guarantee or Lien is called upon; and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) during such period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with GAAP; *provided* that there will be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary, special (reflected as a separate line item on a consolidated income statement prepared in accordance with GAAP) gains or losses or income or expense or charge including, without limitation, any severance expense, and fees, expenses or charges related to any offering of Capital Stock of the Company, any Permitted Investment, Asset Acquisition or Indebtedness permitted to be incurred under "— Covenants — Limitation on Incurrence of Additional Indebtedness";

(3) the net income (or loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Company); except that the Company's equity in the net income of any Person will be included up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (4) below); and except further that the Company's equity in the net loss of any Person will be included to the extent such loss have been funded with case from the Company or a Restricted Subsidiary;

(4) Solely for the purpose of determining the amount available for Restricted Payments under clause (3)(A) of "Covenants — Limitation on Restricted Payments," the net income (but not loss) of any Subsidiary of such Person (Restricted Subsidiary in the case of the Company) to the extent that a corresponding amount could not be distributed to such Person at the date of determination as a result of any restriction pursuant to the constituent documents of such Subsidiary (Restricted Subsidiary in the case of the Company) or any law, regulation, agreement or judgment applicable to any such distribution;

(5) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;

(6) any gain (or loss) from foreign exchange translation or change in net monetary position;

(7) any net gain or loss (after any offset) resulting in such period from Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes; *provided* that the net effect on income or loss (including in any prior periods) will be included upon any termination or early extinguishment of such Hedging Obligations, other than any Hedging Obligations with respect to Indebtedness (that is not itself a Hedging Obligation) and that are extinguished concurrently with the termination or other prepayment of such Indebtedness; and

(8) the cumulative effect of changes in accounting principles.

"Consolidated Net Tangible Assets" means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company provided to the trustee pursuant to "Certain Covenants — Reports to Holders" (or required to be provided thereunder), less (a) all current liabilities of the Company and its Restricted Subsidiaries after eliminating (1) all intercompany items between the Company and any Restricted Subsidiary or between Restricted Subsidiaries and (2) all current maturities of long-term Indebtedness; and (2) all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with GAAP; all calculated in accordance with GAAP and calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Company and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

"Consolidated Non-cash Charges" means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) for such period, determined on a consolidated basis in accordance with GAAP (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

"Consolidated Total Net Indebtedness" means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) outstanding at such time *less* the sum of (without duplication) consolidated cash and Cash Equivalents and consolidated marketable securities recorded as current assets (except for any Capital Stock in any Person) in all cases determined in accordance with GAAP and as set forth in the most recent consolidated balance sheet of the Company and its Restricted Subsidiaries.

"Covenant Defeasance" has the meaning set forth under "— Legal Defeasance and Covenant Defeasance."

"Covenant Suspension Event" has the meaning set forth under "— Covenant Suspension."

"Credit Agreement" means the Amended and Restated Credit Agreement, dated as of October 22, 2008, among the Company, various lenders, Deutsche Bank Trust Company Americas, as administrative agent and collateral agent, and Santander Investment Securities Inc., as lead arranger and book runner.

"Currency Agreement" means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed solely to hedge foreign currency risk of such Person.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Designation" and *"Designation Amount"* have the meanings set forth under "Covenants — Limitation on Designation of Unrestricted Subsidiaries" above.

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof.

"Equity Offering" means an offering for cash, after the Issue Date, of Qualified Stock of the Company or of any direct or indirect parent of the Company (to the extent the proceeds thereof are contributed to the common equity of the Company).

"Event of Default" has the meaning set forth under "— Events of Default."

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"Fair Market Value" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided* that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

"Fitch" means Fitch Ratings Ltd. and its successors.

"Four-Quarter Period" has the meaning set forth in the definition of Net Debt to EBITDA Ratio below.

"Franchise Documents" means the Master Franchise Agreements and any other documents pursuant to which the Company or any of its Restricted Subsidiaries has acquired the right to operate any franchised restaurant in Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curacao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Uruguay, Venezuela and the U.S. Virgin Islands of St. Thomas and St. Croix, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"GAAP" means generally accepted accounting principles in effect in the United States.

"Governmental Authority" means any government, court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of any country, state, county, city or other political subdivision, having jurisdiction over the matter or matters in question.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise; or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part;

provided that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee," when used as a verb, has a corresponding meaning.

"Hedging Obligations" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"Holder" means the Person in whose name a Note is registered in the note register pursuant to the terms of the Indenture.

"Holdings" means Arcos Dorados Coöperatieve U.A., a *coöperatieve* organized under the laws of the Netherlands.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence" and "Incurred" will have meanings correlative to the foregoing); *provided* that (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary of the Company and (2) neither the accrual of interest nor the accretion of original issue discount nor the payment of interest in the form of additional Indebtedness with the same terms and the payment of dividends on Disqualified Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Stock or Preferred Stock will be considered an Incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);

(5) all reimbursement obligations in respect of letters of credit, banker's acceptances or similar credit transactions (except to the extent they relate to trade payables in the ordinary course of business and such obligation is satisfied within 20 Business Days of Incurrence);

(6) the amount of all Permitted Receivables Financings of such Person;

(7) Guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (6) above and clauses (9) through (11) below;

(8) all Indebtedness of any other Person of the type referred to in clauses (1) through (7) above which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured;

(9) all net obligations under Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(10) all liabilities recorded on the balance sheet of such Person in connection with a sale or other disposition of accounts receivables and related assets; and

(11) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided* that:

(a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture; and

(b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingency obligations at such date.

"Independent Financial Advisor" means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Company's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed solely to hedge interest rate risk of such Person.

"Investment" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business);

(2) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person; or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Investment" will exclude accounts receivable or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" have corresponding meanings.

For purposes of the "— Limitation on Restricted Payments" covenant, the Company will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary or owed to the Company or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Company or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Company or any Restricted Subsidiary or owed to the Company or any other Restricted Subsidiary immediately following such sale or other disposition.

"Investment Grade Rating" means a rating equal to or higher than (a) BBB-, in the case of S&P and Fitch, and (b) Baa3, in the case of Moody's.

"Issue Date" means the first date of issuance of Notes under the Indenture.

"L/C Documents" means the Letter of Credit, the Letter of Credit Agreement, the L/C Security Documents and each other agreement, instrument or document delivered in connection with the foregoing, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"L/C Security Documents" means the Security Agreement dated as of August 3, 2007 made by the Subsidiaries of the Company party thereto and the Pledge Agreement dated as of August 3, 2007 made by the Subsidiaries of the Company party thereto, in each case to secure the obligations under the Letter of Credit Agreement.

"Legal Defeasance" has the meaning set forth under "— Legal Defeasance and Covenant Defeasance."

"Letter of Credit" means the irrevocable standby letter of credit issued on August 3, 2007, for the account of the Company and the subsidiary guarantors identified thereto, for the benefit of McDonald's Latin America, pursuant to the Letter of Credit Agreement.

"Letter of Credit Agreement" means the Letter of Credit Reimbursement Agreement, dated as of August 3, 2007, between the Company and Credit Suisse, Cayman Islands Branch, as issuing bank.

"Lien" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder; provided that in no event shall an operating lease be deemed to constitute a Lien.

"Master Franchise Agreements" means the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Company and the other parties thereto, and the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America and Arcos Dourados Comercio de Alimentos Ltda., as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Master Franchisee" means LatAm, LLC, or any successor to its rights and obligations under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Company and the other parties thereto.

"McDonald's" means McDonald's Corporation and its Subsidiaries.

"McDonald's Call Option" means the "Call Option" referred to in the Master Franchise Agreements.

"McDonald's Deposit" shall mean any cash and investments, in an aggregate amount not to exceed $15,000,000, serving as credit support to obligations owing by the Company and the Subsidiary Guarantors to McDonald's Latin America under the Franchise Documents.

"McDonald's Deposit Pledge Agreement" means documentation, pursuant to which a lien in favor of McDonald's Latin America is granted over the McDonald's Deposit (and to the extent perfection of such lien is by "control" as provided in Section 9-314 of the Uniform Commercial Code, any related control agreements in customary form providing for such perfection).

"McDonald's Foreign Pledge Agreements" means, collectively, the pledge agreements listed on Schedule IV to the Credit Agreement.

"McDonald's Latin America" means McDonald's Latin America, LLC, a limited liability company organized under the laws of the State of Delaware.

"McDonald's Mortgage" means any mortgages granted in favor of McDonald's Latin America on Secured Restricted Real Estate, in each case securing obligations owing to McDonald's Latin America under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Company and the other parties thereto, in an aggregate amount not to exceed the undrawn portion of the Letter of Credit on the date of termination thereof.

"McDonald's Security Documents" means the McDonald's U.S. Stock Pledge Agreement, dated as of August 3, 2008, made by the Company and the other parties thereto in favor of McDonald's Latin America, the McDonald's Foreign Pledge Agreements and the McDonald's Deposit Pledge Agreement and any other agreement, instrument or document under which any Lien is granted to secure obligations under the Franchise Documents, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Net Cash Proceeds" means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents received by the Company or any of its Restricted Subsidiaries from such Asset Sale, net of:

(1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions);

(2) taxes paid or payable in respect of such Asset Sale after taking into account any reduction in consolidated tax liability due to available tax credits or deductions and any tax sharing arrangements;

(3) repayment of Indebtedness secured by a Lien permitted under the Indenture that is required to be repaid in connection with such Asset Sale;

(4) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale; and

(5) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP, against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, but excluding any reserves with respect to Indebtedness.

"Net Debt to EBITDA Ratio" means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Total Net Indebtedness for such Person as of such date to Consolidated Adjusted EBITDA for such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four-Quarter Period").

For purposes of this definition, Consolidated Total Net Indebtedness and Consolidated Adjusted EBITDA will be calculated after giving effect on a *pro forma* basis in good faith for the period of such calculation for the following:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four-Quarter Period or at any time subsequent to the last day of such Four-Quarter Period and prior to or on such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four-Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Company), including any Asset Sale or Asset Acquisition giving rise to the need to make such determination, occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four-Quarter Period.

For purposes of making such *pro forma* computation, the amount of Indebtedness under any revolving credit facility will be computed based on:

(a) the average daily balance of such Indebtedness during such Four-Quarter Period; or

(b) if such facility was created after the end of such Four-Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation,

in each case giving *pro forma* effect to any borrowings related to any transaction referred to in clause (2) above.

"Non-Guarantor Restricted Subsidiary" means (i) any Restricted Subsidiary of the Company incorporated or organized in French Guiana, Guadeloupe or Martinique, and Arcos Mendocinos S.A., a *sociedad anónima* organized and existing under the laws of Argentina, Arcos Cordobeses, S.A., a *sociedad anónima* organized and existing under the laws of Argentina, Arcos Santafesinos S.A., a *sociedad anónima* organized and existing under the laws of Argentina, Adcon S.A., a *sociedad anónima* organized and existing under the laws of Argentina, Compañia de Inversiones Inmobiliarias (C.I.I.) S.A., a *sociedad anónima* organized and existing under the laws of Argentina, Arcos de Viña, S.A., a *sociedad anónima* organized and existing under the laws of Chile, Arcos Dorados Paisas, Ltda., a *sociedad limitada* organized and existing under the laws of Colombia, Arcos Dorados Paisas, Ltda. & Cia. S.C.A., a *sociedad en comandita de acciones* organized and existing under the laws of Colombia, Operaciones Arcos Dorados de Perú, S.A., a *sociedad anónima* organized and existing under the laws of Peru and Bohemia Corp. S.A., a *sociedad anónima* organized and existing under the laws of Peru, and any subsidiary thereto, so long as such Restricted Subsidiary and any such entity is prevented by local law or the existence of minority shareholders from guaranteeing the Notes, and (ii) any other Restricted Subsidiaries designated pursuant to the terms of the Indenture by the Company as a Non-Guarantor Restricted Subsidiary because such Subsidiary is prevented by local law or the existence of minority shareholders from guaranteeing the Notes; *provided* that in no event shall a Non-Guarantor Restricted Subsidiary be a Significant Subsidiary. For the avoidance of doubt, all Non-Guarantor Restricted Subsidiaries shall be Restricted Subsidiaries under the Indenture.

"Obligations" means, with respect to any Indebtedness, any principal, interest (including, without limitation, Post-Petition Interest), premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the documentation governing such Indebtedness, including in the case of the Notes and the Subsidiary Guarantees, the Indenture.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in the Indenture), obtained at the expense of the Company, a Surviving Entity or a Restricted Subsidiary, and who is reasonably acceptable to the Trustee.

"Parent" means Arcos Dorados Limited, a company organized under the laws of the British Virgin Islands.

"Permitted Business" means the business or businesses conducted by the Company and its Restricted Subsidiaries as of the Issue Date and any business ancillary or complementary thereto.

"Permitted Holders" means (1) Woods W. Staton and any Related Party of Mr. Staton and (2) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned directly or indirectly 51% or more by Persons specified in clause (1).

"Permitted Indebtedness" has the meaning set forth under clause (2) of "— Covenants — Limitation on Incurrence of Additional Indebtedness."

"Permitted Investments" means:

(1) Investments by the Company or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary (other than a Venezuelan Subsidiary) or constituting a merger or consolidation of such Person into the Company or with or into a Restricted Subsidiary (other than a Venezuelan Subsidiary); *provided* that such Person is engaged solely in a Permitted Business;

(2) Investments by any Restricted Subsidiary in the Company;

(3) Investments in cash and Cash Equivalents;

(4) Investments in existence on the Issue Date;

(5) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(6) Investments permitted pursuant to clause (2)(b), (e), (h) or (j) of "— Covenants — Limitation on Transactions with Affiliates;"

(7) Investments received as a result of the bankruptcy or reorganization of any Person or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(8) Investments made by the Company or its Restricted Subsidiaries as a result of non-cash consideration permitted to be received in connection with an Asset Sale made in compliance with the covenant described under "— Covenants — Limitation on Asset Sales;"

(9) Investments in the form of Hedging Obligations permitted under clause 2(c) of "— Covenants — Limitation on Incurrence of Additional Indebtedness";

(10) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided* that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances and that are consistent with industry practice;

(11) Investments arising as a result of any Permitted Receivables Financing;

(12) any Investment acquired solely in exchange for Qualified Capital Stock of the Company;

(13) Investments by the Company or any Restricted Subsidiary (other than a Venezuelan Subsidiary) in any Venezuelan Subsidiary (A) in the form of intercompany Indebtedness permitted under clause (2)(d)(ii) of "Covenants — Limitation on Incurrence of Additional Indebtedness" and (B) other Investments; provided that

such Venezuelan Subsidiary is engaged solely in a Permitted Business and the aggregate amount of such other Investments do not exceed U.S.$25 million in any fiscal year of the Company;

(14) payroll, travel, moving and other loans or advances to, or Guarantees issued to support the obligations of, officers and employees, in each case in the ordinary course of business;

(15) extensions of credit and prepayment of expenses to customers, suppliers, utility providers, licensees, franchisees and other trade creditors in the ordinary course of business consistent with past practice;

(16) any Investment in any Subsidiary or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business consistent with past practice;

(17) Investments in the nature of deposits with respect to leases provided to third parties in the ordinary course of business;

(18) Investments in negotiable instruments received in the ordinary course and held for collection;

(19) Investments by the Company or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (19), in an aggregate amount at the time of such Investment not to exceed the greater of U.S.$30 million and 2.5% of Total Assets of the Company at the time of Investment (or the equivalent in other currencies), outstanding at any one time (with the Fair Market Value of each such Investment being measured at the time made and without giving effect to subsequent changes in value); *provided* that any Person in which such Investments are made is engaged solely in a Permitted Business.

"Permitted Liens" means any of the following Liens:

(1) (a) Liens existing on the Issue Date and any extension, renewal or replacement thereof, other than any Liens created pursuant to the Credit Agreement, and (b) Liens existing on the Issue Date created pursuant to the Credit Agreement, provided that such Liens created pursuant to the Credit Agreement must be extinguished within 30 days following the Issue Date;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(3) (a) licenses, sublicenses, leases or subleases granted by the Company or any of its Restricted Subsidiaries to other Persons not materially interfering with the conduct of the business of the Company or any of its Restricted Subsidiaries and (b) any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Indenture to which the Company or any Restricted Subsidiary is a party;

(4) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, customs duties, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(5) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(6) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to any Person in the ordinary course of business of the Company or any of its Restricted Subsidiaries;

(7) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(8) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(9) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to GAAP have been made in respect thereof;

(10) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) deposits in the ordinary course of business securing liability for reimbursement obligations of insurance carriers providing insurance to the Company or its Restricted Subsidiaries and any Liens thereon;

(12) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;

(13) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution;

(14) Liens securing Hedging Obligations;

(15) Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness below which has been secured by a Lien permitted under the covenant described under "— Covenants — Limitation on Liens" not incurred pursuant to clause (18) or (20) and which Indebtedness has been Incurred in accordance with "— Covenants — Limitation on Incurrence of Additional Indebtedness;" *provided* that such new Liens:

(a) are no less favorable to the Holders of Notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(16) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Company or another Restricting Subsidiary and permitted to be Incurred under the Indenture;

(17) Liens securing Acquired Indebtedness Incurred in accordance with "— Covenants — Limitation on Incurrence of Additional Indebtedness" not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided* that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary; and

(b) such Liens do not extend to or cover any property of the Company or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Company or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary;

(18) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Company or a Restricted Subsidiary used in a Permitted Business; *provided* that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and will not be secured by any property of the Company or any Restricted Subsidiary other than the property so acquired; and

(b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(19) Liens arising under any Permitted Receivables Financing;

(20) Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of (a) U.S.$50 million (or the equivalent in other currencies) or (b) 7.5% of Consolidated Net Tangible Assets;

(21) Liens on the Capital Stock of Unrestricted Subsidiaries;

(22) Liens under the L/C Documents;

(23) Liens in favor of McDonald's Latin America created pursuant to the McDonald's Security Documents and the McDonald's Mortgages; and

(24) the interest of McDonald's Latin America, as franchisor under the Franchise Documents.

"Permitted Receivables Financing" means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires Accounts Receivable of the Company or any Restricted Subsidiaries and enters into a third party financing thereof on terms that the Board of Directors has concluded are customary and market terms fair to the Company and its Restricted Subsidiaries.

"Person" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Post-Petition Interest" means all interest accrued or accruing after the commencement of any insolvency or liquidation proceeding (and interest that would accrue but for the commencement of any insolvency or liquidation proceeding) in accordance with and at the contract rate (including, without limitation, any rate applicable upon default) specified in the agreement or instrument creating, evidencing or governing any Indebtedness, whether or not, pursuant to applicable law or otherwise, the claim for such interest is allowed as a claim in such insolvency or liquidation proceeding.

"Preferred Stock" means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Purchase Money Indebtedness" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed the lesser of the Fair Market Value of such property or such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of the Refinancing.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"Refinance" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" have correlative meanings.

"Refinancing Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Company or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Company in connection with such Refinancing);

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is:

- Indebtedness of the Company, then such Refinancing Indebtedness will be Indebtedness of the Company;
- Indebtedness of a Restricted Subsidiary, then such Refinancing Indebtedness will be Indebtedness of the Company and/or such Restricted Subsidiary; and
- Subordinated Indebtedness, then such Refinancing Indebtedness will be subordinate to the Notes or any relevant Subsidiary Guarantee, if applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"Related Party" means, with respect to any Person, (1) any Subsidiary, spouse, descendant or other immediate family member (which includes any child, stepchild, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law) (in the case of an individual), of such Person, (2) any estate, trust, corporation, partnership or other entity, the beneficiaries and stockholders, partners or owners of which consist solely of one or more Permitted Holders referred to in clause (1) of the definition thereof and /or such other Persons referred to in the immediately preceding clause (1), or (3) any executor, administrator, trustee, manager, director or other similar fiduciary of any Person referred to in the immediately preceding clause (2), acting solely in such capacity.

"Restricted Payment" has the meaning set forth under "— Covenants — Limitation on Restricted Payments."

"Restricted Subsidiary" means any Subsidiary of the Company which at the time of determination is not an Unrestricted Subsidiary.

"Reversion Date" has the meaning set forth under "— Covenant Suspension."

"Revocation" has the meaning set forth under "— Covenants — Limitation on Designation of Unrestricted Subsidiaries."

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"S&P" means Standard & Poor's Rating Service or any successor thereto.

"SEC" means the U.S. Securities and Exchange Commission.

"Secured Restricted Real Estate" means the real estate listed on Schedule XVI to the Credit Agreement.

"Securitization Subsidiary" means a Subsidiary of the Company

(1) that is designated a "Securitization Subsidiary" by the Board of Directors,

(2) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity necessary, incidental or related thereto,

(3) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which

(a) is Guaranteed by the Company or any Restricted Subsidiary of the Company,

(b) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way, or

(c) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(4) with respect to which neither the Company nor any Restricted Subsidiary of the Company (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve such its financial condition or cause it to achieve certain levels of operating results

other than, in respect of clauses (3) and (4), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

"Senior Indebtedness" means the Notes and the Subsidiary Guarantees and any other Indebtedness of the Company or any Restricted Subsidiary that ranks equal in right of payment with the Notes or the relevant Subsidiary Guarantee, as the case may be.

"Significant Subsidiary" means a Restricted Subsidiary of the Company that would constitute a "Significant Subsidiary" of the Company in accordance with Rule 1-02 under Regulation S-X under the Securities Act in effect on the Issue Date.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Indebtedness" means, with respect to the Company or any Restricted Subsidiary, any Indebtedness of the Company or such Restricted Subsidiary, as the case may be, which is expressly subordinated in right of payment to the Notes or the relevant Subsidiary Guarantee, as the case may be.

"Subsidiary" means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

"Subsidiary Guarantee" means the unconditional guarantee, on a joint and several basis, of the full and prompt payment of all Obligations of the Company under the Indenture and the Notes, in accordance with the terms of the Indenture.

"Subsidiary Guarantor" means any Restricted Subsidiary of the Company other than a Non-Guarantor Restricted Subsidiary.

"Surviving Entity" has the meaning set forth under "— Covenants — Limitation on Merger, Consolidation and Sale of Assets."

"Suspended Covenants" has the meaning set forth under "— Covenant Suspension."

"Suspension Period" has the meaning set forth under "— Covenant Suspension."

"Total Assets" means the total consolidated assets of the Company and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Company provided to the trustee pursuant to "Certain Covenants — Reports to Holders" (or required to be provided thereunder), calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Company and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

"Unrestricted Subsidiary" means any Subsidiary of the Company Designated as an Unrestricted Subsidiary pursuant to "— Covenants — Limitation on Designation of Unrestricted Subsidiaries." Any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Venezuelan Subsidiary" means any direct or indirect Subsidiary of the Company that generates more than 50% of its revenues or holds more than 50% of its total assets in Venezuela.

"Voting Stock" means, with respect to any Person, securities of any class of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person. The term "normally entitled" means without regard to any contingency.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one-twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

BOOK-ENTRY, DELIVERY AND FORM

The notes are being offered and sold only:

- to qualified institutional buyers in reliance on Rule 144A (the "Rule 144A Notes"); or
- in offshore transactions in reliance on Regulation S (the "Regulation S Notes").

The notes will be issued in fully registered global form in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. Rule 144A Notes initially will be represented by a single permanent global certificate (which may be subdivided) without interest coupons (the "Rule 144A Global Note"). Regulation S Notes initially will be represented by a single permanent global certificate (which may be subdivided) without interest coupons (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes").

The Global Notes will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company ("DTC"), in New York, New York, and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"), as described below under "— Depositary Procedures."

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below under "— Exchange of Book-Entry Notes for Certificated Notes."

The notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under "Transfer Restrictions" in this offering memorandum. In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Depositary Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the systems or their participants directly to discuss these matters.

DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through Participants or Indirect Participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC's records reflect only the identity of Participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

Pursuant to procedures established by DTC:

- upon deposit of the Global Notes, DTC will credit the accounts of Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- ownership of such interests in the Global Notes will be maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes may hold their interests therein directly through DTC, if they are Participants in such system, or indirectly through organizations (including Euroclear and Clearstream) that are Participants or Indirect Participants in such system. Euroclear and Clearstream will hold interests in the notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. The depositaries, in turn, will hold interests in the notes in customers' securities accounts in the depositaries' names on the books of DTC.

All interests in a Global Note, including those held through Euroclear or Clearstream, will be subject to the procedures and requirements of DTC. Those interests held through Euroelear or Clearstream will also be subject to the procedures and requirements of those systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of beneficial owners of interests in a Global Note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests. For certain other restrictions on the transferability of the notes, see "— Exchange of Book-Entry Notes for Certificated Notes."

Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Payments in respect of the principal of and premium, if any, and interest on a Global Note registered in the name of DTC or its nominee will be remitted by the Trustee (or the Paying Agents if other than the Trustee) to DTC in its capacity as the registered holder under the Indenture. The Company and the Trustee will treat the persons in whose names the notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, none of the Company, the Trustee or any agent of the Company or the Trustee has or will have any responsibility or liability for:

- any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

- any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised the Company that its current practice is to credit the accounts of the relevant Participants with the payment on the payment date in amounts proportionate to their respective holdings in the principal amount of the relevant security as shown on the records of DTC, unless DTC has reason to believe it will not receive payment on such payment date. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee nor any agent of the Company or the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the notes, and the Company and the Trustee and their respective agents may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Except for trades involving only Euroclear and Clearstream participants, interests in the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such interests will therefore settle in immediately available funds, subject in all cases to the rules and procedures of DTC and its Participants.

Subject to the transfer restrictions described under "Transfer Restrictions" in this offering memorandum, transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to the transfer restrictions described under "Transfer Restrictions" in this offering memorandum, cross-market transfers between Participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their depositaries. Cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the ease may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines (Brussels time) of that system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositaries to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the depositaries for Euroelear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant in DTC will be credited and reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

DTC has advised the Company that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroelear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and the procedures may be discontinued at any time. Neither the Company nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The information in this section concerning DTC, Euroclear and Clearstream and their book-entry systems has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof.

Exchange of Book-Entry Notes for Certificated Notes

The Global Notes are exchangeable for certificated notes in definitive, fully registered form without interest coupons (the "Certificated Notes") only in the following limited circumstances:

- DTC notifies the Company that it is unwilling or unable to continue as depositary for the Global Note or DTC ceases to be a clearing agency registered under the Exchange Act at a time when DTC is required to be so registered in order to act as depositary, and in each ease the Company fails to appoint a successor depositary within 90 days of such notice;

- the Company notifies the Trustee in writing that the Global Note shall be so exchangeable; or

- if there shall have occurred and be continuing an Event of Default with respect to the notes.

In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Transfer Restrictions" in this offering memorandum, unless the Company determines otherwise in accordance with the Indenture and in compliance with applicable law.

Transfers Within and Between Global Notes

Through and including the 40th day after the later of the commencement of the offering of the notes and the closing of the offering, (the "40-day Period") beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Trustee a certificate (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions. After the expiration of the 40-day Period, beneficial interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Beneficial interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act (if available).

The Trustee shall be entitled to receive such evidence as may be reasonably requested by them to establish the identity and/or signatures of the transferor and transferee.

Transfers of beneficial interests within a Global Note may be made without delivery of any written certification or other documentation from the transferor or the transferee.

Transfers of beneficial interests in the Regulation S Global Note for beneficial interests in the Rule 144A Global Note or vice versa will be effected by DTC by means of an instruction originated by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

TAXATION

Certain Dutch Tax Considerations

General

The following is a general summary of the Dutch tax consequences as of the date hereof in relation to the acquisition, holding or disposal of notes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder of notes or a prospective holder and in view of its general nature, it should be treated with corresponding caution. Holders should consult their tax advisers with regard to the tax consequences of investing in the notes.

Except as otherwise indicated, this summary only addresses the tax legislation as in effect on the date hereof and as interpreted in case law published on or prior to the date hereof, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

Please note that this summary does not describe the Dutch tax consequences for a holder of the notes who will receive or has received the notes as employment income, deemed employment income or otherwise as compensation.

Withholding Tax

All payments made by the Company under the notes may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on Income and Capital Gains

This disclosure does not describe the Dutch tax consequences of the acquisition, holding and disposal of the notes if a holder of notes or individuals related to such holder (statutorily defined term) and certain of their relatives by blood or marriage in the direct line (including foster children) have a substantial interest or deemed substantial interest (statutorily defined terms) in the Company.

Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder, alone or, in the case of individuals, together with his/her partner (statutorily defined term), directly or indirectly, holds (i) an interest of 5% or more of the total issued and outstanding capital of that company or of 5% or more of the issued and outstanding capital of any class of shares of that company or (ii) holds rights to acquire, directly or indirectly, such interest or (iii) holds certain profit sharing rights in that company that relate to 5% or more of the company's annual profits and/or to 5% or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

Residents of the Netherlands

Generally speaking, if the holder of the notes is an entity that is a resident or deemed to be a resident of the Netherlands for Dutch corporate income tax purposes, any payment under the notes or any gain realised on the disposal or deemed disposal of the notes is subject to a 25.5% corporate income tax rate (a corporate income tax rate of 20% applies with respect to taxable profits up to €200,000, bracket for 2009).

A Dutch qualifying pension fund and a Dutch qualifying tax exempt investment fund (in Dutch: *"vrijgestelde beleggingsinstelling"*) are in principle not subject to Dutch corporate income tax. A Dutch qualifying investment fund (in Dutch *"fiscale beleggingsinstelling"*) is subject to corporate income tax at a special rate of 0%.

If a holder of the notes is an individual that is a resident or deemed to be a resident of the Netherlands for Dutch income tax purposes (including the non-resident individual holder who has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of the Netherlands), any payment under the

notes or any gain realised on the disposal or deemed disposal of the notes is taxable at the progressive income tax rates (with a maximum of 52%), if:

(a) the notes are attributable to an enterprise from which the holder of the notes derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise, without being a shareholder, as defined in the Dutch Income Tax Act 2001; or

(b) the holder of the notes is considered to perform activities with respect to the notes that go beyond ordinary asset management (in Dutch *"normaal vermogensbeheer"*) or derives benefits from the notes that are (otherwise) taxable as benefits from other activities (in Dutch *"resultaat uit overige werkzaamheden"*).

If the above-mentioned conditions (a) and (b) do not apply to the individual holder of the notes, such holder will be taxed annually on a deemed income of 4% of his or her net investment assets for the year at an income tax rate of 30%. The net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities at the beginning of that year and the fair market value of the investment assets less the allowable liabilities at the end of that year. The notes are included as investment assets. A tax free allowance may be available. Actual benefits derived from the notes are as such not subject to Dutch income tax.

Non-Residents of the Netherlands

A holder of the notes will not be subject to Dutch taxes on income or capital gains in respect of any payment under the notes or in respect of any gain realised on the disposal or deemed disposal of the notes, provided that:

(a) such holder is neither a resident nor deemed to be a resident of the Netherlands nor has made an election for the application of the rules of the Dutch Income Tax Act 2001 as they apply to residents of the Netherlands; and

(b) such holder does not have an interest in an enterprise or deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in the Netherlands or carried on through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the notes are attributable; and

(c) in the event the holder is an individual, such holder does not carry out any activities in the Netherlands with respect to the notes that go beyond ordinary active asset management (in Dutch *"normaal vermogens-beheer"*) and does not derive benefits from the notes that are (otherwise) taxable as benefits from other activities in the Netherlands (in Dutch *"resultaat uit overige werkzaamheden"*).

A holder of the notes will not become subject to taxation on income and capital gains in the Netherlands by reason only of the execution, delivery and/or enforcement of the notes or the performance by the Company of its obligations under the notes.

Gift and Estate Taxes

Residents of the Netherlands

Gift, estate or inheritance taxes will arise in the Netherlands with respect to a transfer of the notes by way of a gift by, or on the death of, a holder of such notes who is a resident or deemed a resident of the Netherlands at the time of the gift or his or her death.

Non-Residents of the Netherlands

No Dutch gift, estate or inheritance taxes will arise on the transfer of notes by way of gift by, or on the death of, a holder of notes who is neither resident nor deemed to be resident in the Netherlands, unless:

(a) such holder at the time of the gift has, or at the time of his death had, an enterprise or an interest in an enterprise that, in whole or in part, is or was either effectively managed in the Netherlands or carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the notes are or were attributable; or

(b) in the case of a gift of a note by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift, estate and inheritance taxes, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if he or she has been resident in the Netherlands at any time during the 10 years preceding the date of the gift or his or her death. Additionally, for purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if he or she has been resident in the Netherlands at any time during the 12 months preceding the date of the gift. Applicable tax treaties may override deemed residency.

Other Taxes and Duties

No Dutch VAT and no Dutch registration tax, customs duty, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable by the holders of the notes in respect of or in connection with the issue of the notes or with respect to the payment of interest or principal by the Company under the notes.

Certain U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the notes. This tax disclosure was written in connection with the promotion or marketing of the notes by the Company, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the "Code"). Holders should seek their own advice based on their particular circumstances from an independent tax advisor.

The following are certain U.S. federal income tax consequences of ownership and disposition of the notes to U.S. Holders (as defined below). This discussion applies only to notes that are:

- purchased by those initial holders who purchase notes in this offering at the "issue price," which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money; and
- held as capital assets.

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers in securities;
- persons holding notes as part of a hedge, "straddle," integrated transaction or similar transactions;
- holders whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities;
- persons subject to the alternative minimum tax;
- persons that own, or are deemed to own, 10% or more of the capital stock of the Company or the total combined voting power of all classes of stock entitled to vote of the Company; or
- persons carrying on a trade or business outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the

partnership. Partnerships holding notes and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of holding and disposing of the notes.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may alter the tax consequences described herein possibly with retroactive effect. Persons considering the purchase of notes are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof, or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

The Notes

Payments of Interest. Stated interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Additional Amounts paid pursuant to the obligations described under "Description of Notes — Additional Amounts" would be treated as ordinary interest income.

The amount of interest taxable as ordinary income will include amounts withheld in respect of taxes of a Relevant Jurisdiction, if any. Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating the holder's foreign tax credit limitation. Any taxes of a Relevant Jurisdiction withheld from interest income on a Note may be creditable against the U.S. Holder's U.S. federal income tax liability, subject to applicable limitations that may vary depending upon the U.S. Holder's circumstances. The limitation on foreign taxes eligible for credit is calculated separately with respect to two separate classes of income: "passive" income and all other income. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, the U.S. Holder may, at its election, deduct any such foreign taxes in computing its taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States.

Possible Alternative Characterizations. In certain instances, the Company may be required to pay amounts under the notes in excess of the stated interest and principal amounts. For example, in the event of a Change of Control, we would generally be required to repurchase the notes at 101% of their principal amount plus accrued and unpaid interest. Although the issue is not free from doubt, the Company intends to take the position that the possibility of such payments does not result in the notes' being treated as contingent payment debt instruments under the applicable Treasury Regulations. The Company's position is not binding on the Internal Revenue Service ("IRS"). If the IRS takes a contrary position from that described above, a U.S. Holder may be required to accrue interest income based upon a "comparable yield," regardless of the holder's method of accounting. In addition, any gain recognized by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of the notes would be recharacterized as ordinary income. U.S. Holders should consult their tax advisors regarding the tax consequences of the notes' being treated as contingent payment debt instruments. The remainder of this discussion assumes that the notes are not treated as contingent payment debt instruments.

Sale, Exchange or Retirement of the Notes. Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's tax basis in the Note. Any gain or loss will generally be U.S. source income for

purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest are treated as interest as described under *"— Payments of Interest"* above.

Gain or loss realized on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders generally will be subject to reduced tax rates. The deductibility of capital losses may be subject to limitations.

Possible Effect of a Merger, Consolidation or Sale of Assets. In certain situations, the Company may consolidate or merge into another entity or sell all or substantially all of its assets to another entity (as described above under "Description of Notes — Limitation on Merger, Consolidation and Sale of Assets"). Depending on the circumstances, a change in the obligor of the notes as a result of the consolidation, merger or sale of assets could result in a deemed taxable exchange to a U.S. Holder and the modified Note could be treated as newly issued at that time, potentially resulting in the recognition of taxable gain or loss.

Backup Withholding and Information Reporting. Information returns may be filed with the IRS in connection with payments on the notes and the proceeds from a sale or other disposition of the notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

PLAN OF DISTRIBUTION

Morgan Stanley & Co. Incorporated, Banc of America Securities LLC, Citigroup Global Markets Inc., Banco Itaú Europa, S.A. – London Branch, Santander Investment Securities Inc. and Scotia Capital (USA) Inc. are acting as joint bookrunners and initial purchasers for the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the principal amount of the notes set forth opposite that initial purchaser's name.

Initial Purchasers	Principal Amount
Morgan Stanley & Co. Incorporated	U.S.$182,144,000
Banc of America Securities LLC	182,144,000
Citigroup Global Markets Inc.	21,428,000
Banco Itaú Europa, S.A. – London Branch	21,428,000
Santander Investment Securities Inc.	21,428,000
Scotia Capital (USA) Inc.	21,428,000
Total	U.S.$450,000,000

The purchase agreement provides that the obligations of the initial purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the notes if they purchase any of the notes.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum inside the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States to non-U.S. persons in reliance on Regulation S. The price at which the notes are offered may be changed at any time without notice.

The notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The notes will constitute a new class of securities with no established trading market. Application has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. We cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the offering price or that an active trading market for the notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the notes.

In connection with the offering, the initial purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, and stabilizing purchases. Short sales involve secondary market sales by the initial purchasers of a greater number of notes than they are required to purchase in the offering. Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum. Any of these transactions may have the effect of preventing or retarding a decline in the market price of the notes. These transactions may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers and/or their affiliates may enter into derivative transactions with clients, at their request, in connection with the notes and the initial purchasers and/or their affiliates may also purchase some of the notes to hedge their risk exposure in connection with such transactions. Also, the initial purchasers and/or their affiliates may acquire for their own propriety account the notes. Such acquisitions may have an effect on demand and the price of the offering.

Banco Itaú Europa, S.A. – London Branch is not a broker-dealer registered with the SEC and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that such initial purchaser intends to effect sales of the notes in the United States, such initial purchaser will do so only through one or more U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive, with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of notes described in this offering memorandum may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined below) subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an “offer to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a “relevant person”). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

The initial purchasers have performed commercial banking, investment banking and advisory services for us and our affiliates from time to time for which they have received customary fees and reimbursement of expenses. The initial purchasers may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses.

We expect that delivery of the notes will be made against payment therefor on or about October 1, 2009, which will be the fifth business day following the date of pricing of the notes (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date of pricing or the next succeeding business day should consult their own advisor.

TRANSFER RESTRICTIONS

The notes have not been registered under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with;

(8) it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. The holder hereof, by purchasing this Note, agrees for the benefit of Arcos Dorados B.V. (the "Company") that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the Company, (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act afforded by Rule 144 under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it shall notify any purchaser of this Note from it of the resale restrictions referred to above.

The foregoing legend may be removed from this Note on satisfaction of the conditions specified in the indenture referred to herein."

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.

The foregoing legend may be removed from this Note after 40 days beginning on and including the later of (a) the date on which the Notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of the Notes."

Other Jurisdictions

The distribution of this offering memorandum and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by us and the initial purchasers to inform themselves about and to observe any such restrictions.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream. The CUSIP, Common Code and ISIN numbers for the notes are as follows:

	Restricted Global Note	Regulation S Global Note
CUSIP	03965T AA1	P04568 AA2
Common Code	045543773	045543781
ISIN	US03965TAA16	USP04568AA23

2. Copies of our audited consolidated annual financial statements at and for the years ended December 31, 2007, December 31, 2008, our unaudited financial statements for the period ended June 30, 2009, our future audited consolidated annual financial statements, and our future unaudited consolidated quarterly financial statements, if any, and copies of our articles of association and our by-laws *(estatuto social)*, as well as the indenture (including forms of notes and the guarantees), will be available free of charge at the offices of the principal paying agent and any other paying agent, including the Luxembourg listing agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial position since June 30, 2009, the date of our latest financial statements included in this offering memorandum.

4. Except as disclosed in this offering memorandum, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we are aware is any such litigation or arbitration threatened.

5. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market. We will comply with any undertakings assumed or undertaken by us from time to time to the Luxembourg Stock Exchange in connection with the notes, and we will furnish to them all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the notes.

6. Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global has agreed to the inclusion of its report in this offering memorandum in the form and context in which it is included.

7. The issuance of the notes was authorized by our Board of Directors on September 30, 2009.

VALIDITY OF NOTES

Certain legal matters will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York and by NautaDutilh N.V., Amsterdam, the Netherlands. Certain legal matters relating to the issuance of the notes will be passed upon for the initial purchasers by Milbank, Tweed, Hadley & McCLoy LLP, New York, New York.

INDEPENDENT ACCOUNTANTS

The financial information contained in this offering memorandum includes our consolidated financial statements at and for the years ended December 31, 2007 and December 31, 2008, prepared in accordance with U.S. GAAP, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, our independent accountants, as stated in their report included elsewhere in this offering memorandum.

Our unaudited consolidated financial statements at and for the six months ended June 30, 2008 and June 30, 2009 have been prepared in accordance with U.S. GAAP and have been the subject of a limited review by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global as stated in their report included elsewhere in this offering memorandum. Accordingly, the degree of reliance on their report based on such information should be restricted in light of the limited nature of the review procedures applied.

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Arcos Dorados B.V.

Consolidated Financial Statements

As of and for the six-month periods ended
June 30, 2009 and 2008 (Unaudited)

Pistrelli, Henry Martin y Asociados S.R.L.
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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
ARCOS DORADOS B.V.:

We have reviewed the accompanying consolidated balance sheet of ARCOS DORADSO B.V. ("the Company") and its subsidiaries as of June 30, 2009, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the six-month periods ended June 30, 2009 and 2008. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance the standards of American Institute of Certified Public Accountants for a review of interim financial information as described in SAS 100 *Interim Financial Information.* A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of ARCOS DORADOS B.V. and its subsidiaries as of December 31, 2008, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity. and cash flows for the year then ended (not presented herein) and in our report dated April 24, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Buenos Aires, Argentina
August 30, 2009

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

/s/ FERNANDO A. PACI

FERNANDO A. PACI
Partner

Es miembro do Ernst & Young Global

Arcos Dorados B.V.
Consolidated Statements of Income and Comprehensive Income
For the six-month periods ended June 30, 2009 and 2008
Amounts in thousands of US Dollars

	2009 (unaudited)	2008 (unaudited)
REVENUES		
Sales by Company-operated restaurants	$ 1,111,383	$ 1,200,388
Revenues from franchised restaurants	56,614	60,431
Total revenues	**1,167,997**	**1,260,819**
OPERATING COSTS AND EXPENSES		
Company-operated restaurant expenses:		
Food and paper	(419,830)	(438,925)
Payroll and employee benefits	(219,665)	(217,024)
Occupancy and other operating expenses	(294,999)	(321,402)
Royalty fees	(53,090)	(57,433)
Franchised restaurants — occupancy expenses	(18,815)	(20,091)
Selling, general and administrative expenses	(82,890)	(86,295)
Other operating expenses, net	(4,608)	(16,441)
Total operating costs and expenses	**(1,093,897)**	**(1,157,611)**
Operating income	**74,100**	**103,208**
Net interest expense	(17,590)	(12,933)
Loss on cross-currency swap agreements	(25,643)	–
Foreign currency exchange results	(5,888)	12,392
Other non-operating expenses, net	(477)	(527)
Income before income taxes	**24,502**	**102,140**
Income tax expense	(16,270)	(28,438)
Net income	**8,232**	**73,702**
Less: Net income attributable to non-controlling interests	(170)	(1,023)
Net income attributable to Arcos Dorados B.V.	**$ 8,062**	**$ 72,679**
Net income	**$ 8,232**	**$ 73,702**
Other comprehensive income:		
Foreign currency translation (net of $nil of income taxes)	964	20,679
Unrealized gain on cash flow hedges (net of $nil of income taxes)	1,980	–
Comprehensive income	**11,176**	**94,381**
Less: Comprehensive income attributable to non-controlling interests	(113)	(1,172)
Comprehensive income attributable to Arcos Dorados B.V.	**$ 11,063**	**$ 93,209**

See Notes to the accompanying Consolidated Financial Statements.

Arcos Dorados B.V.
Consolidated Balance Sheets
As of June 30, 2009 and December 31, 2008
Amounts in thousands of US Dollars

	As of June 30, 2009 (unaudited)	As of December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 70,100	$ 105,982
Accounts and notes receivable, net	44,286	50,237
Other receivables	85,381	92,390
Inventories	68,761	57,685
Prepaid expenses and other current assets	80,307	66,703
Deferred income taxes	8,716	7,376
Total current assets	**357,551**	**380,373**
Non-current assets		
Accounts and notes receivable, net	758	1,236
Miscellaneous assets	12,405	13,240
Deferred financing costs	8,535	9,446
Collateral deposit	15,000	15,000
Intangible assets, net	40,367	37,049
Property and equipment, net	780,744	709,667
Goodwill	11,903	10,839
Deferred income taxes	91,738	74,728
McDonald's Corporation' indemnification for contingencies	88,773	68,562
Total non-current assets	**1,050,223**	**939,767**
Total assets	**$1,407,774**	**$1,320,140**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 137,701	$ 126,387
Royalties payable to McDonald's Corporation	10,729	15,352
Income tax payable	23,179	45,224
Other taxes payable	49,179	66,255
Accrued payroll and other liabilities	133,017	108,964
Interest payable	2,828	3,445
Short-term debt	43,828	15,107
Current portion of capital lease obligations	267	199
Total current liabilities	**400,728**	**380,933**
Non-current liabilities		
A&R Credit Agreement	350,000	350,000
Accrued payroll and other liabilities	34,202	32,836
Provision for contingencies	90,658	84,305
Capital lease obligations, excluding current portion	2,034	1,870
Cross-currency and interest rate swaps payable	61,938	12,729
Deferred income taxes	6,348	6,777
Total non-current liabilities	**545,180**	**488,517**
Total liabilities	**945,908**	**869,450**
Shareholders′ Equity		
Common stock	27	27
Additional paid-in capital	377,546	377,546
Retained earnings	143,072	135,010
Accumulated other comprehensive loss	(60,907)	(63,908)
Total Arcos Dorados B.V. shareholders' equity	**459,738**	**448,675**
Non-controlling interests in subsidiaries	2,128	2,015
Total shareholders′ equity	**461,866**	**450,690**
Total liabilities and shareholders′ equity	**$1,407,774**	**$1,320,140**

Arcos Dorados B.V.
Consolidated Statements of Cash Flows
For the six-month periods ended June 30, 2009 and 2008
Amounts in thousands of US Dollars

	2009 (unaudited)	2008 (unaudited)
Operating activities		
Net income attributable to Arcos Dorados B.V.	$ 8,062	$ 72,679
Adjustments to reconcile net income attributable to Arcos Dorados B.V. to cash provided by operations:		
Non-cash charges and credits:		
Depreciation and amortization	25,650	24,902
Loss from cross-currency swap agreements	25,643	–
Accrued compensation (benefit) expense	(1,344)	787
Amortization of deferred financing costs	1,303	4,592
Amortization and accrual of letter of credit fees	1,271	1,380
Net income attributable to non-controlling interests	170	1,023
Others, net	(25,452)	(17,226)
Changes in working capital items:		
Accounts payable	4,745	(8,160)
Accounts and notes receivable	14,514	(23,749)
Other miscellaneous receivables	8,406	55,083
Inventories	(6,375)	(4,681)
Prepaid expenses and other current assets	(11,167)	(8,544)
Miscellaneous assets	(709)	(2,325)
Royalties payable to McDonald's Corporation	(4,016)	(11,964)
Income tax payable	(20,662)	(16,572)
Other taxes payable	(14,620)	2,991
Accrued payroll and other liabilities	(4,594)	21,427
Interest payable	(380)	(922)
Others, net	679	(925)
Net cash provided by operating activities	**1,124**	**89,796**
Investing activities		
Property and equipment expenditures	(41,119)	(42,616)
Purchases of restaurant businesses	(7,715)	(4,292)
Proceeds from sale of property and equipment	1,388	3,432
Collection of receivable with McDonald's Corporation	–	15,015
Increase in short-term investments	(504)	(7,900)
Payment of initial fees	(842)	(410)
Acquisition of minority interest	(180)	–
(Increase) decrease in notes receivable	(4,147)	976
Other investment activity	(184)	–
Net cash used in investing activities	**(53,303)**	**(35,795)**
Financing activities		
Payment of deferred financing costs	(1,387)	–
Payment of letter of credit and swap fees	(1,151)	–
Payment of cross-currency rate swap agreement	(10,727)	(3,567)
Net short-term borrowings	25,692	13,820
Repayment of capital lease obligations	(193)	(131)
Net cash provided by financing activities	**12,234**	**10,122**
Effect of exchange rate changes on cash and cash equivalents	4,063	4,963
(Decrease) increase in cash and cash equivalents	**(35,882)**	**69,086**
Cash and cash equivalents at the beginning of the year	105,982	92,580
Cash and cash equivalents at the end of the period	**$ 70,100**	**$161,666**

See Notes to the accompanying Consolidated Financial Statements.

Arcos Dorados B.V.
Statements of Changes in Shareholders' Equity
For the six-month periods ended June 30, 2009 and 2008
Amounts in thousands of US Dollars

	2009						
	Arcos Dorados B.V. Shareholders						
	Common stock	Additional paid-in capital	Retained earnings	Accumulated Other comprehensive loss	Total	Non-controlling interests	Total
Balances at beginning of fiscal year	27	377,546	135,010	(63,908)	448,675	2,015	450,690
Foreign currency translation (Unaudited)	–	–	–	1,021	1,021	(57)	964
Unrealized gain on cash flow hedges (Unaudited)	–	–	–	1,980	1,980	–	1,980
Net income for the period (Unaudited)	–	–	8,062	–	8,062	170	8,232
Balances at end of period (Unaudited)	**27**	**377,546**	**143,072**	**(60,907)**	**459,738**	**2,128**	**461,866**

	2008						
	Arcos Dorados B.V. Shareholders						
	Common stock	Additional paid-in capital	Retained earnings	Accumulated Other comprehensive income	Total	Non-controlling interests	Total
			amounts in thousands of US dollars				
Balances at beginning of fiscal year	27	377,546	22,275	3,084	402,932	4,847	407,779
Foreign currency translation (Unaudited)	–	–	–	20,530	20,530	149	20,679
Net income for the period (Unaudited)	–	–	72,679	–	72,679	1,023	73,702
Balances at end of period (Unaudited)	**27**	**377,546**	**94,954**	**23,614**	**496,141**	**6,019**	**502,160**

See Notes to the accompanying Consolidated Financial Statements.

1. Organization and nature of business

Organization

Arcos Dorados B.V. (the "Company") is a private limited liability company organized and existing under the laws of the Netherlands. The Company was incorporated in May 1999.

Nature of business

On August 3, 2007 the Company entered into a Stock Purchase Agreement and a Master Franchise Agreement with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonald's business in Latin America ("LatAm business"). See Note 4 for details. Prior to this acquisition, the Company did not carry out operations.

The Company, through its wholly-owned and majority owned subsidiaries, operates and franchises McDonald's restaurants in the food service industry. The Company has operations in nineteen countries as follows: Argentina, Chile, Uruguay, Venezuela, Colombia, Ecuador, Peru, Brazil, Mexico, Panama, Costa Rica, Puerto Rico, St. Croix, St. Thomas, Guadeloupe, Martinique, French Guyana, Aruba and Curacao. All restaurants are operated either by the Company's subsidiaries or by independent entrepreneurs under the terms of sub-franchisee agreements (franchisees).

The results of operations of the LatAm business have been included in the Company's consolidated financial statements as from August 3, 2007.

Fiscal year

The Company's fiscal year ends on the last day of December.

2. Basis of presentation

Purpose of these financial statements

The accompanying consolidated financial statements have been prepared for the purpose of complying with Section 7.01 of the Amended and Restated Credit Agreement entered into and between the Company and various lenders (as discussed in Note 5) and for inclusion in the Offering Memorandum for the sale of the Company's Senior Notes.

Basis of presentation

The Company has elected to report its consolidated financial statements in United States dollars ("$" or "US dollars"). The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). However, they do not include all of the information and footnotes required by generally accepted accounting principles. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from purposes of this presentation.

The accompanying consolidated financial statements are unaudited and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are considered necessary for the fair presentation of the information in the consolidated financial statements. Operating results for the six-month periods ended June 30, 2009 are not necessarily indicative of results that may be expected for any future periods.

Basis of consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain reclassifications of comparative information have been made to conform to the current presentation.

3. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of the consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign currency translation

The financial statements of the Company's foreign operating subsidiaries are translated in accordance with SFAS No. 52 "Foreign Currency Translation". The Company's functional currencies are the local currencies of the countries in which it conducts its operations. Assets and liabilities of the Company's foreign operating subsidiaries are translated into U.S. dollars at the balance sheet date exchange rates, and revenues and expenses are translated at average rates prevailing during the period. Translation adjustments are included in "Accumulated Other Comprehensive Loss", component of equity. The Company includes its foreign currency transaction gains and losses in its results of operations.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, from the date of purchase, to be cash equivalents.

Currency restrictions

As discussed in Note 1, the Company operates in Venezuela. There are currency restrictions in place in Venezuela that limit the Company's ability to physically convert local currency to US Dollars. Due to currency controls, there is no free market currency exchange rate. Therefore, in preparing the Company's consolidated financial statements the Company used the exchange rate established by the Venezuelan government to translate the local currency financial statements into the Company's reporting currency. When the Venezuelan local currency resumes trading in an open market, the exchange rate may be different from the rate set by the government. A significant devaluation of the local currency would result in a decline in revenues and, to a lesser extent, operating income when reported in US Dollars.

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants and revenues from restaurants operated by franchisees. Sales by Company-operated restaurants are recognized on a cash basis. The Company

presents sales net of sales tax and other sales-related taxes. Revenues from restaurants operated by franchisees primarily include rental income, which is recognized in the period earned. Revenues from restaurants operated by franchisees also include initial franchise fees and royalty income. Revenues from initial franchise fees represent the difference between the amount the Company collects from the franchisee and the amount the Company pays to McDonald's Corporation upon the opening of a new restaurant, which is when the Company has performed substantially all initial services required by the franchisee agreement. Royalty income represents the difference, if any, between the amount the Company collects from the franchisee and the amount the Company is required to pay to McDonald's Corporation. Royalty income is recognized in the period earned.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined on a first-in, first-out basis and included within "Food and paper" in the accompanying consolidated statements of income.

Property and equipment, net

Property and equipment are stated at cost, net of accumulated depreciation. Cost of property and equipment acquired from McDonald's Corporation (as part of the acquisition of LatAm business) was determined based on its estimated fair market value at the acquisition date, then partially reduced by the allocation of the negative goodwill that resulted from the purchase price allocation. Accumulated depreciation is calculated using the straight-line method over the following estimated useful lives: buildings — generally 40 years; leasehold improvements — the lesser of useful lives of assets or lease terms which generally include option periods; and equipment — 3 to 12 years.

The Company removes the cost and accumulated depreciation of retirements from the accounts and recognizes the related gain or loss upon the disposition of assets. Maintenance and repairs are expensed as incurred.

Intangible assets, net

Intangible assets include computer software costs, initial franchise fees and letter of credit fees.

The Company follows the provisions of Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which requires the capitalization of costs incurred in connection with developing or obtaining software for internal use. These costs are amortized over a period of three years on a straight line basis.

The Company is required to pay to McDonald's Corporation an initial franchisee fee upon opening of a new restaurant. The initial franchise fee related to Company-operated restaurants is capitalized as an intangible asset and amortized on a straight-line basis over the term of the franchise (generally 20 years). As a result of the purchase accounting of the LatAm business and in connection with the acquired restaurants, the Company recorded initial franchise fees as an identifiable intangible asset. The related cost was determined based on its fair market value at the acquisition date, consisting of the amount that the Company would have been required to pay to open the acquired restaurants, then partially reduced by the allocation of the negative goodwill that resulted from the purchase price allocation.

Letter of credit fees, representing the up-front fee the Company paid for obtaining the Letter of Credit mentioned in Note 8, are being amortized on a straight-line basis over 5 years, which is the term of the Letter of Credit.

Impairment and disposal of long-lived assets

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144), the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable. For purposes of reviewing assets for potential impairment, assets are grouped at a country level for each of the operating markets. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, each restaurant's cash flows are not largely independent of the cash flows of others in a market. If an indicator of impairment exists for any grouping of assets, an estimate of undiscounted future cash flows produced by each individual restaurant within the asset grouping is compared to its carrying value. If an individual restaurant is determined to be impaired, the loss is measured by the excess of the carrying amount of the restaurant over its fair value as determined by an estimate of discounted future cash flows. No impairments have been recognized as of June 30, 2009.

Losses on asset held for disposal are recognized when management has approved (and Board of Directors have approved, as required) and committed to a plan to dispose of the assets, the assets are available for disposal, the disposal is probable of occurring within 12 months, and the net sales proceeds are expected to be less than its net book value. Generally, such losses relate to restaurants that have closed and ceased operations as well as restaurants that meet the criteria to be considered "available for sale" in accordance with SFAS No. 144.

Goodwill

Goodwill represents the excess of cost over the estimated fair market value of net tangible assets and identifiable intangible assets acquired. The Company's goodwill resulted from the acquisition of LatAm business and also from the acquisition of sub-franchise restaurants and non-controlling interests in subsidiaries. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets", goodwill is stated at cost and reviewed for impairment on an annual basis. The annual impairment test is performed during the fourth quarter of the fiscal year and compares the fair value of the reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill. No impairments have been recognized at June 30, 2009.

Royalty fees

Pursuant to the Master Franchised Agreement, the Company is required to pay to McDonald's Corporation continuing franchise fees (Royalty fees) on a monthly basis. The amount to be paid during the first 10 years of the agreements is equal to 5% of the US dollar equivalent of the gross product sales of each of the franchised restaurants. This percentage increases to 6% for the subsequent 10 years of the agreement. Payment of monthly royalties is due on the seventh business day of the next calendar month.

Accounting for income taxes

The Company records income taxes using the method required by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. SFAS No. 109 requires companies to set up a valuation allowance for that component of net deferred tax assets which does not meet the more likely than not criterion for realization.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Accrued compensation expense

Plan Previously Held by McDonald's Corporation. McDonald's Corporation had a share-based compensation plan pursuant to which it had granted stock options and restricted stock units to certain of the Company's executives. The plan was cancelled by McDonald's Corporation on August 3, 2007 in connection with the sale of the LatAm business. As a result of this termination and in order not to affect the executive's compensation, the Company, although not establishing a stock compensation plan, decided to maintain the conditions of the abovementioned plan and recognize this benefit as it would have not been cancelled. Regarding stock option awards, the Company will pay, when original options would have vested and been exercised, an amount equal to the difference, if any, between the fair value of the shares of McDonald's Corporation and the exercise price at which the awards were originally granted by McDonald's Corporation. These benefits vest over a four year period and expire ten years after the grant date. Regarding restricted stock unit awards, the Company will pay, when original stock units would have vested, an amount equal to the fair market value of the shares of McDonald's Corporation. These benefits vest 100% on the third anniversary of the grant date. The Company recognizes compensation expense related to these benefits as services required to earn these benefits are rendered. The accrued liability is remeasured at the end of each reporting period until settlement, based on the fair value of the shares of McDonald's Corporation. Compensation (benefit) expense for the six-month periods ended June 30, 2009 and 2008 amounted to $(0.9) million and $0.3 million, respectively. Compensation (benefit) expense is included within "Selling, general and administrative expenses" in the consolidated statements of income.

ADBV Phantom Stock Plan. In May 2008 the Company implemented a phantom stock plan to reward employees for increases in the market value of the Company's stock subsequent to the date of grant. In accordance with this plan, the Company annually grants units (called "CADs") to certain employees, pursuant to which the employees are entitled to receive, when vested, a payment equal to the appreciation in market value over the base value. The awards vest over a period of five years as follows: 40% at the second anniversary of the date of grant and 20% at each of the following three years. The Company recognizes compensation expense related to these benefits as services required to earn these benefits are rendered. The accrued liability is remeasured at the end of each reporting period until settlement, based on the estimated fair value of the Company. Compensation (benefit) expense for the six-month periods ended June 30, 2009 and 2008 amounted to $ (0.4) million and $0.5 million, respectively. Compensation (benefit) expense is included within "Selling, general and administrative expenses" in the consolidated statement of income.

In addition, during 2008 the Company granted to the Chief Executive Officer an award right pursuant to which the executive will be entitled to receive from the Company a lump sum amount of cash equal to 1% of the fair market value of the Company upon the occurrence of a Liquidity Event ("Initial Public Offering" or "Change of Control" as defined in the agreement). The award right is subject to a 4 year graduated vesting (25% per year) of continued service as from August 3, 2007. The Company recognizes compensation expense related to these benefits as services required to earn these benefits are rendered. The accrued liability is remeasured at the end of each reporting period until settlement, based on the estimated fair value of the Company. Compensation expense for the six-month periods ended June 30, 2009 and 2008 amounted to $0.5 million and $7.1 million, respectively. Compensation expense is included within "Other operating expenses, net" in the consolidated statement of income.

Hedging transactions and derivative financial instruments

The Company utilizes certain hedge instruments to manage its interest rate and foreign currency rate exposures. The counter parties to these instruments generally are major financial institutions. The Company does

not hold or issue derivative instruments for trading purposes. In entering into these contracts, the Company assumes the risk that might arise from the possible inability of counter parties to meet the terms of their contracts. The Company does not expect any losses as a result of counterpart defaults.

The Company follows SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and related interpretations. SFAS 133 establishes accounting and reporting standards for derivative instruments. Specifically, SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. Additionally, the fair value adjustments will affect either stockholders' equity as accumulated other comprehensive income (loss) or net income (loss) depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

Severance payments

Under certain laws and labor agreements of the countries in which the Company conducts its operations, the Company is required to make minimum severance payments to its dismissed employees without cause and employees leaving its employment in certain other circumstances. The Company follows the guidelines established by Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Post-employment Benefits", and Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences", which requires the accrual of severance costs if they relate to services already rendered, are related to rights that accumulate or vest, are probable of payment and are reasonably estimable. While the Company expects to make severance payments in the future, it is impossible to estimate the number of employees that will be dismissed without proper cause in the future, if any, and accordingly the Company has not recorded such liability. Instead, severance payments are expensed as incurred.

Provision for contingencies

The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and the Company's lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs. See Note 8 for details.

Comprehensive income

In accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130), the Company reports comprehensive income and its components in the body of the consolidated financial statements. Comprehensive income includes net income as currently reported under generally accepted accounting principles and also considers the effect of additional economic events that are not required to be recorded in determining net income but are rather reported as a separate component of equity. The Company reports foreign currency translation gains and losses as well as unrealized results on cash flow hedges as components of comprehensive income.

Certain risks and concentrations

The Company's financial instruments that are exposed to concentration of credit risk primarily consist of cash and cash equivalents and accounts and notes receivables. Cash and cash equivalents are deposited with various creditworthy financial institutions, and therefore the Company believes it is not exposed to any significant credit risk related to cash and cash equivalents. Concentrations of credit risk with respect to accounts and notes receivables are generally limited due to the large number of franchisees comprising the Company's franchise base.

All the Company's operations are concentrated in Latin America. As a result, the Company's financial condition and results of operations depend, to a significant extent, on macroeconomic and political conditions prevailing in the region.

Recent accounting pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 160, "Non-controlling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"). SFAS No. 160 establishes standards related to the treatment of non-controlling interests. A non-controlling interest, sometimes called minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. SFAS No. 160 requires, among others, (a) that non-controlling interests be reported as a component of shareholders' equity; (b) that net income attributable to the parent and to the non-controlling interests be separately identified in the consolidated statement of operations; and (c) that sufficient disclosures are provided that clearly identify and distinguish between the interest of the parent and the interests of the non-controlling owners. The objective of this Statement is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements. Before this Statement was issued, limited guidance existed for reporting non-controlling interests. So-called minority interests were reported by the Company in its consolidated financial statements in the mezzanine section between liabilities and equity. SFAS No. 160 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. As a result, the Company adopted SFAS No. 160 on January 1, 2009. The Company retrospectively applied the presentation requirements for all periods presented, reclassifying to equity the non-controlling interests and adjusting consolidated comprehensive income to include the comprehensive income attributed to the non-controlling interests. The adoption did not have a material effect on the Company's financial condition or results of operations.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS No. 161). SFAS No. 161 amends and expands the previous disclosure requirements of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), to provide more qualitative and quantitative information on how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The Company adopted SFAS No. 161 as of January 1, 2009. The adoption had no impact on our consolidated financial statements, besides the additional disclosures.

In May 2009, the FASB issued Statement of Financial Accounting Standard No. 165, "Subsequent Events" ("SFAS No. 165"). SFAS No. 165 requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Company adopted the guidance for the second quarter of 2009. The adoption had no impact on the Company's consolidated financial statements, besides the additional disclosure.

4. Acquisition of LatAm business

On August 3, 2007, the Company entered into a Stock Purchase Agreement with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonalds business in Latin America for $679.4 million. The purchase price was comprised of (a) a base purchase price amounting to $700 million, and (b) an additional purchase price equal to the final working capital of the acquired business amounting to $20.6 million negative. The Company paid the base purchase price and the estimated additional purchase price at the transaction date totaling $701.3 million. Subsequently, the Company recorded a receivable from McDonald's Corporation amounting to $21.9 million for the difference between the final working capital and the working capital estimated at the transaction date. This receivable was settled in 2008 ($15.0 million in cash and $6.9 million by

assignment of a receivable from suppliers). Fees and expenses associated with this acquisition amounted to $18.7 million. The acquisition of the LatAm Business has been accounted for by the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. This allocation was made on a reporting unit basis. When the fair value of the net assets acquired exceeded the purchase price, the resulting negative goodwill was allocated to partially reduce the fair value of the non-current assets acquired on a pro-rata basis. Goodwill was recorded when the purchase price exceeded the fair value of the net assets acquired.

In connection with this transaction, the Company and certain subsidiaries (the "MF subsidiaries") also entered into a 20-year Master Franchise Agreement ("MFA") with McDonald's Corporation, which grants to the Company and its MF subsidiaries the following:

a. The right to own and operate, directly or indirectly, franchised restaurants in each territory;

b. The right and license to grant sub franchises in each territory;

c. The right to adopt and use, and to grant the right and license to sub franchisees to adopt and use, the system in each territory;

d. The right to advertise to the public that it is a franchisee of McDonald's;

e. The right and license to grant sub franchises and sublicenses of each of the foregoing rights and licenses to each MF subsidiary.

Pursuant to the MFA provisions, McDonald's Corporation has the right to (a) terminate the MFA, or (b) exercise a call option over the Company's shares or any MF subsidiary, if the Company or any MF subsidiary (i) fails to comply with the McDonalds System, (ii) incurs in bankruptcy, (iii) defaults on its financial debt payments, (iv) substantially fails to achieve targeted openings and reinvestments requirements, or (v) incurs in another event of default as defined in the MFA.

5. Credit Agreement

On August 2, 2007 the Company entered into a US$350 million Credit Agreement maturing in January 2009 to partially finance the acquisition of the LatAm Business. The Credit Agreement bore an interest of LIBOR plus an applicable margin of 0.60% per annum, which increased 0.20% each quarter. Interest was payable on a monthly basis and was charged to expense following the interest method. Financing costs amounting to $8.4 million were fully amortized during fiscal years 2007 and 2008.

On November 10, 2008, the Company completed the refinancing of the Credit Agreement for $350 million. Pursuant to the terms and conditions of the Amended and Restated Credit Agreement ("A&R Credit Agreement"), the principal amount will be amortized in 7 semiannual installments commencing on November 10, 2010 and maturing on November 10, 2013. Each of the first five installments will be in the amount of $35.0 million and each of the last two installments will be in the amount of $87.5 million. The A&R Credit Agreement accrues interest at LIBOR plus 425 basis points per annum (this spread will be reduced to 375 basis points after the first year if certain conditions are met). The first interest payment was made on May 11, 2009. Subsequently, interest will be paid on a quarterly basis. The Company may at any time select a different interest period. The Company incurred $10.2 million of financing costs related to this refinancing.

Interest expense related to the Credit Agreement and A&R Credit Agreement was $11.7 million (including the effect of the interest rate swap described in Note 6 for $0.3 million) and $7.2 million during the six-month periods ended June 30, 2009 and 2008, respectively. Amortization of deferred financing costs related to the Credit Agreement and A&R Credit Agreement amounted to $1.3 million and $4.6 million for the six-month periods ended

June 30, 2009 and 2008, respectively. Amortization of deferred financing costs is included within "net interest expense" in the consolidated statements of income.

The A&R Credit Agreement is guaranteed by each of the Company's subsidiaries, except those designated as "excluded subsidiaries" as defined in the agreement. The A&R Credit Agreement imposes certain restrictions on the Company, including restrictions on its ability, with certain permitted exceptions, to: create or incur major liens on property or assets; enter partnerships or mergers; sell or lease its property or assets; pay dividends in excess of the 75% of the Company's net income; incur significant debt; lend money, make advances or make investments outside normal business; and transfer funds from any territory to Venezuela and Argentina in excess of certain limits. The A&R Credit Agreement also requires the Company to (i) hedge 57% of the Company's currency exposure from the A&R Credit Agreement, (ii) comply with certain financial ratios on a quarterly basis, and (iii) make a mandatory prepayment under certain conditions. As of June 30, 2009, the Company was in compliance with all restrictive covenants.

The obligations and guaranties arising from the MFA shall rank at least pari passu with all other present and future unsubordinated debt of the Company or any of its subsidiaries.

6. Derivative instruments

As of June 30, 2009

Interest rate swap

On November 10, 2008, the Company entered into an interest rate swap agreement with Banco Santander Central Hispano S.A. to hedge a portion of the cash flows associated with its A&R Credit Agreement. The agreement has a total notional value of $140 million, which amortizes over the life of the swap. The interest rate swap agreement effectively converts the A&R Credit Agreement, which is floating-rate debt, to a fixed-rate up to the unamortized notional value of the swap by having the Company pay fixed-rate amounts in exchange for the receipt of the floating-rate interest payments. Under the terms of this agreement, a quarterly net settlement is made for the difference between the fixed rate of 2.66% and the variable rate based upon the three-month LIBOR rate on the notional amount of the interest rate swap. This interest rate swap agreement terminates on November 10, 2013. The Company has determined that its interest rate swap agreement has been appropriately designated and documented as a cash flow hedge under SFAS 133. This swap agreement is carried at fair market value in the consolidated balance sheet with unrealized results reported as a component of accumulated other comprehensive income (loss) within shareholders' equity. At June 30, 2009, the fair market value of this derivative represented a liability of $1,787 ($3,455 at December 31, 2008).

Cross-currency interest rate swaps

On November 10, 2008, and in connection with the refinancing process of the Credit Agreement the Company committed to hedge 57% of the Company's currency exposure from the A&R Credit Agreement related to the Company's generation of cash flows in Brazilian Reais (equivalent to $200 million).

In December 2008, the Company entered into cross-currency interest rate swap agreements with Banco Santander S.A. and The Bank of Nova Scotia to convert a portion of its debt under the A&R Credit Agreement ($100 million at LIBOR) to a Brazilian reais-denominated fixed-rate debt (R$237.4 million at a fixed rate of 12.14%). The notional amounts amortize over the life of the swaps, maturing on November 10, 2013.

In January and March 2009 the Company entered into cross-currency interest rate swap agreements with Banco Santander S.A. to convert a portion of its debt under the A&R Credit Agreement ($100 million at LIBOR) to a Brazilian reais-denominated fixed-rate debt (R$228.8 million at a fixed rate of 11.16%). The notional amounts amortize over the life of the swaps, maturing on November 10, 2013.

These swap agreements are carried at fair market value in the consolidated balance sheet with changes reported in earnings. At June 30, 2009, the fair market values of these swap agreements totaled $60,151 payable ($9,274 at December 31, 2008).

Additional disclosures

The following table presents the fair values of derivative instruments included in the consolidated balance sheet as of June 30, 2009:

	Liability Derivatives	
Type of Derivative	**Balance Sheet Location**	**Fair Value**
Derivatives designated as hedging instruments under SFAS No. 133		
Interest rate swap	Cross-currency and interest rate swaps payable	$ (1,787)
Derivatives not designated as hedging instruments under SFAS No. 133		
Cross-currency interest rate swaps	Cross-currency and interest rate swaps payable	$(60,151)
Total derivatives		**$(61,938)**

The following tables present the pretax amounts affecting income and other comprehensive income for the six-month period ended June 30, 2009 for each type of derivative relationship:

Derivatives in SFAS No. 133 Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI on Derivative (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Amount Excluded from Effectiveness Testing and Ineffective Portion)
Interest rate swap	1,980	(312)	–
Total	**1,980**	**(312)**	–

The amount of gain (loss) reclassified from accumulated OCI into income is recorded as an adjustment to interest expense.

Derivatives not Designated as Hedging Instruments under SFAS No. 133	Gain (Loss) Recognized in Income on Derivative
Cross-currency interest rate swaps	(25,643)
Total	**(25,643)**

7. Short-term debt

Short-term debt consists of the following:

	As of June 30, 2009	As of December 31,2008
Bank overdrafts	$ 8,245	$ 5,927
Short-term loans	35,583	9,180
	$43,828	$15,107

8. Commitments and contingencies

Commitments

The MFA requires the Company and its MF subsidiaries, among other obligations:

(i) to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants;

(ii) to commit to open approximately 160 new McDonald's restaurants over the first three years and pay an initial franchise fee for each new restaurant opened;

(iii) to commit to specified annual capital expenditures for existing restaurants according to an initial reinvestment plan amounting to US$143 million;

(iv) to commit to funding a specified Strategic Marketing Plan; and

(v) to own (or lease) directly or indirectly, the fee simple interest in all real property on which any franchised restaurant is located.

In addition, the Company maintains (a) a standby letter of credit with an aggregate drawing amount of $65 million, and (b) a cash deposit of $15 million in favor of McDonald's Corporation as collateral for the obligations assumed under the MFA. The letter of credit can be drawn and/or the cash deposit be used if certain events occur, including the failure to pay royalties. No amounts have been drawn or used at June 30, 2009.

Provision for contingencies

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. At June 30, 2009 the Company maintains a provision for contingencies amounting to $108.4 million ($95.0 million at December 31, 2008), which is disclosed net of judicial deposits amounting to $16.3 million ($10.7 million at December 31, 2008) that the Company was required to make in connection with the proceedings. At June 30, 2009, the net amount of $92.1 million is disclosed as follows: $1.4 million as a current liability within the caption "Accrued payroll and other liabilities" and $90.7 million as a non-current liability.

The provision for contingencies includes $88.8 million related to Brazilian claims ($68.6 million at December 31, 2008). Pursuant to Section 9.3 of the Purchase Agreement, McDonald's Corporation shall indemnify the Company for these claims. As a result, the Company has recorded a non-current asset with McDonald's Corporation in the consolidated balance sheet.

9. Disclosures about fair value of financial instruments

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which establishes a formal framework for measuring fair values of assets and liabilities in financial statements that are already required by US

GAAP to be measured at fair value. SFAS No. 157 clarifies guidance in FASB Concepts Statement No. 7 which discusses present value techniques in measuring fair value. In February 2008, the FASB deferred the effective date of SFAS No. 157 for one year for certain non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e., at least annually).

The Company adopted the required provisions of SFAS No. 157 related to debt and derivatives as of January 1, 2008 and adopted the remaining required provisions for non-financial assets and liabilities as of January 1, 2009. The effect of adopting this standard was not significant in either period.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The transaction is based on a hypothetical transaction in the principal or most advantageous market considered from the perspective of the market participant that holds the asset or owes the liability.

The valuation techniques that can be used under SFAS No. 157 are the market approach, income approach or cost approach. The market approach uses prices and other information for market transactions involving identical or comparable assets or liabilities, such as matrix pricing. The income approach uses valuation techniques to convert future amounts to a single discounted present amount based on current market conditions about those future amounts, such as present value techniques, option pricing models (i.e. Black-Scholes model) and binomial models (i.e. Monte-Carlo model). The cost approach is based on current replacement cost to replace an asset.

The Company utilizes market data or assumptions that market participants who are independent, knowledgeable and willing and able to transact would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observability of those inputs. SFAS No. 157 establishes a formal fair value hierarchy based on the inputs used to measure fair value. The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements, and accordingly, level 1 measurement should be used whenever possible.

The three levels of the fair value hierarchy as defined by SFAS No. 157 are as follows:

Level 1: Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment. Examples include exchange-traded derivatives and listed equities that are actively traded.

Level 2: Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability. Financial instruments that are valued using models or other valuation methodologies are included. Models used should primarily be industry-standard models that consider various assumptions and economic measures, such as interest rates, yield curves, time value, volatilities, contract terms, current market prices, credit risk or other market-corroborated inputs. Examples include most over-the-counter derivatives (non-exchange traded), physical commodities, most structured notes and municipal and corporate bonds

Level 3: Valuations utilizing significant, unobservable inputs. This provides the least objective evidence of fair value and requires a significant degree of judgment. Inputs may be used with internally developed methodologies and should reflect an entity's assumptions using the best information available about the assumptions that market participants would use in pricing an asset or liability. Examples include certain corporate loans, real-estate and private equity investments and long-dated or complex over-the-counter derivatives.

Depending on the particular asset or liability, input availability can vary depending on factors such as product type, longevity of a product in the market and other particular transaction conditions. In some cases, certain inputs used to measure fair value may be categorized into different levels of the fair value hierarchy. For disclosure purposes under SFAS No. 157, the lowest level that contains significant inputs used in valuation should be chosen. Per SFAS No. 157, the Company has classified its assets and liabilities into these levels depending upon the data relied on to determine the fair values. The fair values of the Company's derivatives are valued based upon quotes obtained from counterparties to the agreements and are designated as Level 3.

The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2009:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2009
Liabilities				
Interest rate swap . . .	–	–	$ (1,787)	$ (1,787)
Cross-currency interest rate swaps	–	–	(60,151)	(60,151)
Total Liability	–	–	**$(61,938)**	**$(61,938)**

The derivative contracts were measured based on quotes from the Company's counterparties. Such quotes have been derived using a model that considers various inputs including current market and contractual prices for the underlying instruments, volatility factors, exchange rates and interest rates. Although the Company utilizes multiple quotes to assess the reasonableness of its values, the Company has not attempted to obtain sufficient corroborating market evidence to support classifying these derivative contracts as Level 2.

Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At June 30, 2009, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities.

10. Shareholders′ equity

Authorized capital

At June 30, 2009, the Company has authorized capital stock amounting to Euros 100,000, consisting of 1,000 shares of common stock with a par value of Euros 100 each.

Issued and outstanding capital

At December 31, 2006, the Company had issued and outstanding 200 shares of common stock, being the total par value Euros 20,000. Pursuant to a resolution of the sole shareholder of the Company dated August 3, 2007, the Company issued 1 share of common stock in exchange for $377.5 million. The proceeds from this issuance were used to finance the acquisition of the LatAm business. As a result, the Company has issued and outstanding

201 shares of common stock, being the total par value Euros 20,100. Holders of these shares are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders.

Distribution of dividends

The Company can only make distributions to the extent its equity exceeds the sum of the paid and call up part of the capital and the reserves that must be maintained pursuant to the law. However, the A&R Credit Agreement contains certain restrictions on the distribution of dividends as described in Note 5.

Liquidation

If the Company is dissolved pursuant to a resolution by the general meeting of shareholders, the managing directors shall be the liquidators of the dissolved company, unless the general meeting appoints other persons to that effect. In the event of liquidation, the surplus remaining after payment of the Company's debts shall be paid to the shareholders in proportion to the aggregate nominal value of their individual shareholdings.

11. Subsequent events

The Company evaluated subsequent events through the date the financial statements were issued, which was August 30, 2009. There were no subsequent events that required recognition or disclosure.

Arcos Dorados B.V.

Consolidated Financial Statements

For the fiscal years ended December 31, 2008 and 2007

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of
ARCOS DORADOS B.V.

We have audited the accompanying consolidated balance sheets of Arcos Dorados BV and its subsidiaries (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arcos Dorados BV and its subsidiaries at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Buenos Aires, Argentina
April 24, 2009

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

/s/ FERNANDO A. PACI

FERNANDO A. PACI
Partner

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Arcos Dorados B.V.
Consolidated Statements of Income and Comprehensive Income
For the fiscal years ended December 31, 2008 and 2007
Amounts in thousands of US dollars

	2008	2007
REVENUES		
Sales by Company-operated restaurants	$ 2,480,897	$ 895,429
Revenues from franchised restaurants	125,945	45,910
Total revenues	**2,606,842**	**941,339**
OPERATING COSTS AND EXPENSES		
Company-operated restaurant expenses:		
Food and paper	(902,305)	(332,547)
Payroll and employee benefits	(461,602)	(161,871)
Occupancy and other operating expenses	(647,152)	(238,765)
Royalty fees	(118,980)	(44,878)
Franchised restaurants — occupancy expenses	(42,416)	(13,979)
Selling, general and administrative expenses	(185,984)	(71,898)
Other operating expenses, net	(26,095)	(6,310)
Total operating costs and expenses	**(2,384,534)**	**(870,248)**
Operating income	**222,308**	**71,091**
Net interest expense	(26,272)	(13,978)
Loss on cross-currency swap agreements	(2,620)	(13,672)
Foreign currency exchange loss	(74,884)	(3,542)
Other non-operating (expenses) income, net	(1,934)	29
Income before income taxes	**116,598**	**39,928**
Income tax expense	(2,488)	(17,511)
Net income	**114,110**	**22,417**
Less: Net income attributable to non-controlling interests	(1,375)	(43)
Net income attributable to Arcos Dorados B.V.	**$ 112,735**	**$ 22,374**
Net income	**$ 114,110**	**$ 22,417**
Other comprehensive income (loss):		
Foreign currency translation (net of $nil of income taxes)	(65,475)	3,288
Unrealized loss on cash flow hedges (net of $nil of income taxes)	(3,463)	–
Comprehensive income	**45,172**	**25,705**
(Less) Plus: Comprehensive (income) loss attributable to non-controlling interests	571	(247)
Comprehensive income attributable to Arcos Dorados B.V.	**$ 45,743**	**$ 25,458**

See Notes to the accompanying Consolidated Financial Statements.

Arcos Dorados B.V.
Consolidated Balance Sheets
As of December 31, 2008 and 2007
Amounts in thousands of US Dollars

	2008	2007
Current assets		
Cash and cash equivalents	$ 105,982	$ 92,580
Accounts and notes receivable, net	50,237	27,180
Other receivables	92,390	146,870
Inventories	57,685	46,577
Prepaid expenses and other current assets	66,703	47,707
Deferred income taxes	7,376	–
Receivable from McDonald's Corporation	–	21,887
Total current assets	**380,373**	**382,801**
Non-current assets		
Accounts and notes receivable, net	1,236	5,431
Miscellaneous assets	13,240	5,438
Deferred financing costs	9,446	4,224
Collateral deposit	15,000	–
Intangible assets, net	37,049	37,060
Property and equipment, net	709,667	724,673
Goodwill	10,839	633
Deferred income taxes	74,728	5,999
McDonald's Corporation' indemnification for contingencies	68,562	79,339
Total non-current assets	**939,767**	**862,797**
Total assets	**$1,320,140**	**$1,245,598**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 126,387	$ 125,495
Royalties payable to McDonald's Corporation	15,352	20,575
Income tax payable	45,224	40,406
Other taxes payable	66,255	59,242
Accrued payroll and other liabilities	108,964	124,249
Interest payable	3,445	1,816
Short-term debt	15,107	–
Current portion of capital lease obligations	199	216
Cross-currency rate swap payable	–	3,567
Total current liabilities	**380,933**	**375,566**
Non-current liabilities		
Credit Agreement	350,000	350,000
Accrued payroll and other liabilities	32,836	15,155
Provision for contingencies	84,305	87,350
Capital lease obligations, excluding current portion	1,870	2,460
Cross-currency and interest rate swaps payable	12,729	–
Deferred income taxes	6,777	7,288
Total non-current liabilities	**488,517**	**462,253**
Total liabilities	**869,450**	**837,819**
Shareholders′ Equity		
Common stock	27	27
Additional paid-in capital	377,546	377,546
Retained earnings	135,010	22,275
Accumulated other comprehensive (loss) income	(63,908)	3,084
Total Arcos Dorados B.V. shareholders′ equity	**448,675**	**402,932**
Non-controlling interests in subsidiaries	2,015	4,847
Total shareholders′ equity	**450,690**	**407,779**
Total liabilities and shareholders′ equity	**$1,320,140**	**$1,245,598**

See Notes to the accompanying Consolidated Financial Statements.

Arcos Dorados B.V.
Consolidated Statements of Cash Flows
For the fiscal years ended December 31, 2008 and 2007
Amounts in thousands of US Dollars

	2008	2007
Operating activities		
Net income attributable to Arcos Dorados B.V	$ 112,735	$ 22,374
Adjustments to reconcile net income attributable to Arcos Dorados B.V. to cash provided by operations:		
Non-cash charges and credits:		
Depreciation and amortization	49,496	18,263
Loss from cross-currency swap agreements	2,620	13,672
Accrued compensation expense	5,184	4,980
Amortization of deferred financing costs	4,940	3,780
Amortization and accrual of letter of credit fees	4,116	1,143
Others, net	(15,310)	(1,218)
Changes in working capital items:		
Accounts payable	43,412	56,758
Accounts and notes receivable and other receivables	14,145	(30,154)
Inventory, prepaid and other current assets	(40,498)	(11,827)
Royalties payable to McDonald's Corporation	(795)	(16,559)
Income tax payable	12,048	9,266
Accrued interest	4,060	2,184
Others, net	2,210	43,209
Net cash provided by operating activities	**198,363**	**115,871**
Investing activities		
Acquisition of subsidiaries, net of cash acquired for $32,976	–	(686,991)
Property and equipment expenditures	(148,894)	(45,174)
Purchases of restaurant businesses	(18,999)	–
Proceeds from sale of property and equipment	5,230	1,218
Collection of receivable with McDonald's Corporation	15,015	–
Acquisition of minority interests	(3,600)	–
Collection of notes receivables	377	–
Payment of initial fees	(1,295)	(338)
Net cash used in investing activities	**(152,166)**	**(731,285)**
Financing activities		
Issuance of common stock	–	377,546
Proceeds from Credit Agreement	–	350,000
Payment of deferred financing costs	(8,712)	(8,372)
Payment of letter of credit fees	(1,390)	(1,800)
Payment of cross-currency rate swap agreement	(3,567)	(10,105)
Net short-term borrowings	14,286	–
Collateral deposit	(15,000)	–
Repayment of capital lease obligations	(426)	(250)
Net cash (used in) provided by financing activities	**(14,809)**	**707,019**
Effect of exchange rate changes on cash and cash equivalents	(17,986)	963
Increase in cash and cash equivalents	**13,402**	**92,568**
Cash and cash equivalents at the beginning of the year	92,580	12
Cash and cash equivalents at the end of the year	**$ 105,982**	**$ 92,580**

See Notes to the accompanying Consolidated Financial Statements.

Arcos Dorados B.V.
Consolidated Statements of Cash Flows — (Continued)
For the fiscal year ended December 31, 2008 and 2007
Amount in thousands of US Dollars

	2008	2007
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$28,787	$ 7,616
Income tax	46,200	5,881
Non-cash transactions:		
Decrease in accounts payable through a decrease in receivable from McDonald's Corporation	$ 6,872	$ –
Acquisition of subsidiaries:		
Fair value of net assets acquired	–	1,010,007
Liabilities assumed	–	(307,863)
Minority interest	–	(4,600)
Net assets acquired	–	697,544
Goodwill	–	536
Purchase price	–	698,080
Receivable from seller	–	21,887
Purchase price paid	–	719,967
Less: Cash acquired	–	(32,976)
Net cash paid for the acquisition	**$ –**	**$ 686,991**
Acquisition of minority interests:		
Minority interest	2,261	–
Goodwill	273	–
Loss on acquisition	1,066	–
Purchase price	**$ 3,600**	**$ –**

Arcos Dorados B.V.
Statements of Changes in Shareholders′ Equity
For the fiscal years ended December 31, 2008 and 2007
Amounts in thousands of US Dollars

	Arcos Dorados B.V. Shareholders						
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive income (loss)**	**Total**	**Non-controlling interests**	**Total**
Balances at December 31, 2006	**$27**	**–**	**(99)**	**–**	**(72)**	**–**	**(72)**
Increase in common stock	–	377,546	–	–	377,546	–	377,546
Increase in non-controlling interests	–	–	–	–	–	4,600	4,600
Foreign currency translation	–	–	–	3,084	3,084	204	3,288
Net income	–	–	22,374	–	22,374	43	22,417
Balances at December 31, 2007	**27**	**377,546**	**22,275**	**3,084**	**402,932**	**4,847**	**407,779**
Acquisition of non-controlling interests	–	–	–	–	–	(2,261)	(2,261)
Foreign currency translation	–	–	–	(63,529)	(63,529)	(1,946)	(65,475)
Unrealized loss on cash flow hedges	–	–	–	(3,463)	(3,463)	–	(3,463)
Net income	–	–	112,735	–	112,735	1,375	114,110
Balances at December 31, 2008	**$27**	**377,546**	**135,010**	**(63,908)**	**448,675**	**2,015**	**450,690**

See Notes to the accompanying Consolidated Financial Statements.

1. Organization and nature of business

Organization

Arcos Dorados B.V. (the "Company") is a private limited liability company organized and existing under the laws of the Netherlands. The Company was incorporated in May 1999.

Nature of business

On August 3, 2007 the Company entered into a Stock Purchase Agreement and a Master Franchise Agreement with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonald's business in Latin America ("LatAm business"). See Note 4 for details. Prior to this acquisition, the Company did not carry out operations.

The Company through its wholly-owned and majority owned subsidiaries operates and franchises McDonald's restaurants in the food service industry. The Company has operations in nineteen countries as follows: Argentina, Chile, Uruguay, Venezuela, Colombia, Ecuador, Peru, Brazil, Mexico, Panama, Costa Rica, Puerto Rico, St. Croix, St. Thomas, Guadeloupe, Martinique, French Guyana, Aruba and Curacao. All restaurants are operated either by the Company's subsidiaries or by independent entrepreneurs under the terms of sub-franchisee agreements (franchisees).

The results of operations of the LatAm business have been included in the Company's consolidated financial statements as from August 3, 2007. Therefore, fiscal year 2007 includes only five months of operations.

Fiscal year

The Company's fiscal year ends on the last day of December.

2. Basis of presentation

Purpose of these financial statements

The accompanying consolidated financial statements have been prepared for the purpose of complying with Section 7.01 of the Amended and Restated Credit Agreement entered into and between the Company and various lenders (as discussed in Note 5) and for inclusion in the Offering Memorandum for the sale of the Company's Senior Notes.

In December 2007, the FASB issued Statement of Financial Accounting Standard No. 160, "Non-controlling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"). SFAS No. 160 establishes standards related to the treatment of non-controlling interests. A non-controlling interest, sometimes called minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. SFAS No. 160 requires, among others, (a) that non-controlling interests be reported as a component of shareholders' equity; (b) that net income attributable to the parent and to the non-controlling interests be separately identified in the consolidated statement of operations; and (c) that sufficient disclosures are provided that clearly identify and distinguish between the interest of the parent and the interests of the non-controlling owners. The objective of this Statement is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements. Before this Statement was issued, limited guidance existed for reporting non-controlling interests. So-called minority interests were reported by the Company in its consolidated financial statements in the mezzanine section between liabilities and equity. SFAS No. 160 is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. As a result, the Company adopted SFAS No. 160 on January 1, 2009. The Company retrospectively applied the presentation requirements in these financial statements for them to be

comparable with subsequent financial statements also included in the Offering Memorandum, reclassifying to equity the non-controlling interests and adjusting consolidated comprehensive income to include the comprehensive income attributed to the non-controlling interests.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The Company has elected to report its consolidated financial statements in United States dollars ("$" or "US dollars").

Basis of consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain reclassifications of comparative information have been made to conform to the current presentation.

3. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of the consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign currency translation

The financial statements of the Company's foreign operating subsidiaries are translated in accordance with SFAS No. 52 "Foreign Currency Translation". The Company's functional currencies are the local currencies of the countries in which it conducts its operations. Assets and liabilities of the Company's foreign operating subsidiaries are translated into U.S. dollars at the balance sheet date exchange rates, and revenues and expenses are translated at average rates prevailing during the periods. Translation adjustments are included in "Accumulated Other Comprehensive (Loss) Income", component of shareholders' equity. The Company includes its foreign currency transaction gains and losses in its results of operations.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, from the date of purchase, to be cash equivalents.

Currency restrictions

As discussed in Note 1, the Company operates in Venezuela. There are currency restrictions in place in Venezuela that limit the Company's ability to physically convert local currency to US Dollars. Due to currency controls, there is no free market currency exchange rate. Therefore, in preparing the Company's consolidated

financial statements the Company used the exchange rate established by the Venezuelan government to translate the local currency financial statements into the Company's reporting currency. When the Venezuelan local currency resumes trading in an open market, the exchange rate may be different from the rate set by the government. A significant devaluation of the local currency would result in a decline in revenues and, to a lesser extent, operating income when reported in US Dollars.

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants and revenues from restaurants operated by franchisees. Sales by Company-operated restaurants are recognized on a cash basis. The Company presents sales net of sales tax and other sales-related taxes. Revenues from restaurants operated by franchisees primarily include rental income, which is recognized in the period earned. Revenues from restaurants operated by franchisees also include initial franchise fees and royalty income. Revenues from initial franchise fees represent the difference between the amount the Company collects from the franchisee and the amount the Company pays to McDonald's Corporation upon the opening of a new restaurant, which is when the Company has performed substantially all initial services required by the franchisee agreement. Royalty income represents the difference, if any, between the amount the Company collects from the franchisee and the amount the Company is required to pay to McDonald's Corporation. Royalty income is recognized in the period earned.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined on a first-in, first-out basis and included within "Food and paper" in the accompanying consolidated statements of income.

Property and equipment, net

Property and equipment are stated at cost, net of accumulated depreciation. Cost of property and equipment acquired from McDonald's Corporation (as part of the acquisition of LatAm business) was determined based on its estimated fair market value at the acquisition date, then partially reduced by the allocation of the negative goodwill that resulted from the purchase price allocation. Accumulated depreciation is calculated using the straight-line method over the following estimated useful lives: buildings — up to 40 years; leasehold improvements — the lesser of useful lives of assets or lease terms which generally include option periods; and equipment — 3 to 12 years.

The Company's policy is to remove the cost and accumulated depreciation of retirements from the accounts and recognize the related gain or loss upon the disposition of assets. Maintenance and repairs are expensed as incurred.

Intangible assets, net

Intangible assets include computer software costs, initial franchise fees and letter of credit fees.

The Company follows the provisions of Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which requires the capitalization of costs incurred in connection with developing or obtaining software for internal use. These costs are amortized over a period of three years on a straight line basis.

The Company is required to pay to McDonald's Corporation an initial franchisee fee upon opening of a new restaurant. The initial franchise fee related to Company-operated restaurants is capitalized as an intangible asset and amortized on a straight-line basis over the term of the franchise (generally 20 years). As a result of the purchase accounting of the LatAm business and in connection with the acquired restaurants, the Company recorded initial franchise fees as an identifiable intangible asset. The related cost was determined based on its fair market value at

the acquisition date, consisting of the amount that the Company would have been required to pay to open the acquired restaurants, then partially reduced by the allocation of the negative goodwill that resulted from the purchase price allocation.

Letter of credit fees, representing the up-front fee the Company paid for obtaining the Letter of Credit mentioned in Note 14, are being amortized on a straight-line basis over 5 years, which is the term of the Letter of Credit.

Impairment and disposal of long-lived assets

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144), the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable. For purposes of reviewing assets for potential impairment, assets are grouped at a country level for each of the operating markets. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, each restaurant's cash flows are not largely independent of the cash flows of others in a market. If an indicator of impairment exists for any grouping of assets, an estimate of undiscounted future cash flows produced by each individual restaurant within the asset grouping is compared to its carrying value. If an individual restaurant is determined to be impaired, the loss is measured by the excess of the carrying amount of the restaurant over its fair value as determined by an estimate of discounted future cash flows. No impairments have been recognized during fiscal years 2008 and 2007.

Losses on asset held for disposal are recognized when management has approved (and Board of Directors have approved, as required) and committed to a plan to dispose of the assets, the assets are available for disposal, the disposal is probable of occurring within 12 months, and the net sales proceeds are expected to be less than its net book value. Generally, such losses relate to restaurants that have closed and ceased operations as well as restaurants that meet the criteria to be considered "available for sale" in accordance with SFAS No. 144.

Goodwill

Goodwill represents the excess of cost over the estimated fair market value of net tangible assets and identifiable intangible assets acquired. The Company's goodwill resulted from the acquisition of LatAm business and also from the acquisition of sub-franchise restaurants and minority interests in subsidiaries. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets", goodwill is stated at cost and reviewed for impairment on an annual basis. The annual impairment test is performed during the fourth quarter of the fiscal year and compares the fair value of the reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill. No impairments have been recognized during fiscal years 2008 and 2007.

Advertising costs

Advertising costs, included in Company-operated restaurant expenses, are expensed as incurred. Advertising expense was approximately $97.1 million and $38.9 million during fiscal years 2008 and 2007, respectively.

Royalty fees

Pursuant to the Master Franchised Agreement, the Company is required to pay to McDonald's Corporation continuing franchise fees (Royalty fees) on a monthly basis. The amount to be paid during the first 10 years of the agreements is equal to 5% of the US dollar equivalent of the gross product sales of each of the franchised

restaurants. This percentage increases to 6% for the subsequent 10 years of the agreement. Payment of monthly royalties is due on the seventh business day of the next calendar month.

Accounting for income taxes

The Company records income taxes using the method required by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109). Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. SFAS No. 109 requires companies to set up a valuation allowance for that component of net deferred tax assets which does not meet the more likely than not criterion for realization.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Accrued compensation expense

Plan Previously Held by McDonald's Corporation. McDonald's Corporation had a share-based compensation plan pursuant to which it had granted stock options and restricted stock units to certain of the Company's executives. The plan was cancelled by McDonald's Corporation on August 3, 2007 in connection with the sale of the LatAm business. As a result of this termination and in order not to affect the executive's compensation, the Company, although not establishing a stock compensation plan, decided to maintain the conditions of the abovementioned plan and recognize this benefit as it would have not been cancelled. Regarding stock option awards, the Company will pay, when original options would have vested and been exercised, an amount equal to the difference, if any, between the fair value of the shares of McDonald's Corporation and the exercise price at which the awards were originally granted by McDonald's Corporation. These benefits vest over a four year period and expire ten years after the grant date. Regarding restricted stock unit awards, the Company will pay, when original stock units would have vested, an amount equal to the fair market value of the shares of McDonald's Corporation. These benefits vest 100% on the third anniversary of the grant date. The Company recognizes compensation expense related to these benefits as services required to earn these benefits are rendered. The accrued liability is remeasured at the end of each reporting period until settlement, based on the fair value of the shares of McDonald's Corporation. Compensation expense for fiscal years 2008 and 2007 amounted to $2.3 million and $5.0 million, respectively. Compensation expense is included within "Selling, general and administrative expenses" in the consolidated statements of income.

ADBV Phantom Stock Plan. During 2008 the Company implemented a phantom stock plan to reward employees for increases in the market value of the Company's stock subsequent to the date of grant. In accordance with this plan, the Company granted units (called "CADs") to certain employees, pursuant to which the employees are entitled to receive, when vested, a payment equal to the appreciation in market value over the base value. The awards vest over a period of five years as follows: 40% at the second anniversary of the date of grant and 20% at each of the following three years. The Company recognizes compensation expense related to these benefits as services required to earn these benefits are rendered. The accrued liability is remeasured at the end of each reporting period until settlement, based on the estimated fair value of the Company. Compensation expense for fiscal year 2008 amounted to $2.8 million, which is included within "Selling, general and administrative expenses" in the consolidated statement of income.

In addition, during 2008 the Company granted to the Chief Executive Officer an award right pursuant to which the executive will be entitled to receive from the Company a lump sum amount of cash equal to 1% of the fair market value of the Company upon the occurrence of a Liquidity Event ("Initial Public Offering" or "Change of Control" as

defined in the agreement). The award right is subject to a 4 year graduated vesting (25% per year) of continued service as from August 3, 2007. The Company recognizes compensation expense related to these benefits as services required to earn these benefits are rendered. The accrued liability is remeasured at the end of each reporting period until settlement, based on the estimated fair value of the Company. Compensation expense for fiscal year 2008 amounted to $11.1 million. Compensation expense is included within "Other operating expenses, net" in the consolidated statement of income.

Derivative financial instruments

From time to time, the Company utilizes certain hedge instruments to manage its interest rate and foreign currency rate exposures. The counter parties to these instruments generally are major financial institutions. The Company does not hold or issue derivative instruments for trading purposes. In entering into these contracts, the Company assumes the risk that might arise from the possible inability of counter parties to meet the terms of their contracts. The Company does not expect any losses as a result of counterpart defaults.

The Company follows SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and related interpretations. SFAS 133 establishes accounting and reporting standards for derivative instruments. Specifically, SFAS 133 requires an entity to recognize all derivatives as either assets or liabilities in the balance sheet and to measure those instruments at fair value. Additionally, the fair value adjustments will affect either stockholders' equity as accumulated other comprehensive income (loss) or net income (loss) depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

Severance payments

Under certain laws and labor agreements of the countries in which the Company conducts its operations, the Company is required to make minimum severance payments to its dismissed employees without cause and employees leaving its employment in certain other circumstances. The Company follows the guidelines established by Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Post-employment Benefits", and Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences", which requires the accrual of severance costs if they relate to services already rendered, are related to rights that accumulate or vest, are probable of payment and are reasonably estimable. While the Company expects to make severance payments in the future, it is impossible to estimate the number of employees that will be dismissed without proper cause in the future, if any, and accordingly the Company has not recorded such liability. Instead, severance payments are expensed as incurred.

Provision for contingencies

The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and the Company's lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs. See Note 14 for details.

Comprehensive income

In accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130), the Company reports comprehensive income and its components in the body of the consolidated financial statements. Comprehensive income includes net income as currently reported under generally accepted accounting principles and also considers the effect of additional economic events that are

not required to be recorded in determining net income but are rather reported as a separate component of stockholders' equity. The Company reports foreign currency translation gains and losses as well as unrealized results on cash flow hedges as components of comprehensive income.

Certain risks and concentrations

The Company's financial instruments that are exposed to concentration of credit risk primarily consist of cash and cash equivalents and accounts and notes receivables. Cash and cash equivalents are deposited with various creditworthy financial institutions, and therefore the Company believes it is not exposed to any significant credit risk related to cash and cash equivalents. Concentrations of credit risk with respect to accounts and notes receivables are generally limited due to the large number of franchisees comprising the Company's franchise base.

All the Company's operations are concentrated in Latin America. As a result, the Company's financial condition and results of operations depend, to a significant extent, on macroeconomic and political conditions prevailing in the region.

Recent accounting pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("SFAS No. 157"), which provides guidance for using fair value to measure assets and liabilities. The pronouncement clarifies (1) the extent to which companies measure assets and liabilities at fair value; (2) the information used to measure fair value; and (3) the effect that fair value measurements have on earnings. SFAS No. 157 will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. The Company adopted SFAS No. 157 at the beginning of fiscal year 2008. The adoption of SFAS No. 157 did not have an impact on the Company's consolidated financial statements. See Note 15 for details.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FAS 115" ("SFAS No. 159"), which permits companies to measure certain financial assets and financial liabilities at fair value. Under SFAS No. 159, companies that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis. SFAS No. 159 establishes presentation and disclosure requirements to clarify the effect of a company's election on its earnings but does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. The Company adopted SFAS No. 159 at the beginning of fiscal year 2008. The adoption of SFAS No. 159 did not have an impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) was issued in an effort to continue the movement toward the greater use of fair values in financial reporting and increased transparency through expanded disclosures. It changes how business acquisitions are accounted for and will impact financial statements at the acquisition date and in subsequent periods. Certain of these changes will introduce more volatility into earnings. The acquirer must now record all assets and liabilities of the acquired business at fair value, and related transaction and restructuring costs will be expensed rather than the previous method of being capitalized as part of the acquisition. SFAS No. 141(R) also impacts the annual goodwill impairment test associated with acquisitions, including those that close before the effective date of SFAS No. 141(R). The definitions of a "business" and a "business combination" have been expanded, resulting in more transactions qualifying as business combinations. SFAS No. 141(R) is effective for fiscal years beginning on or after December 31, 2008 and earlier adoption is prohibited. The Company cannot predict the impact that the adoption of SFAS No. 141(R) will have on its financial position, results of operations or cash flows with respect to any acquisitions completed after December 31, 2008.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Enhanced disclosures to improve financial reporting transparency are required and include disclosure about the location and amounts of derivative instruments in the financial statements, how derivative instruments are accounted for and how derivatives affect an entity's financial position, financial performance and cash flows. A tabular format including the fair value of derivative instruments and their gains and losses, disclosure about credit risk-related derivative features and cross-referencing within the footnotes are also new requirements. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early application and comparative disclosures encouraged, but not required. The Company has not yet adopted SFAS No. 161.

In May 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 162, "The Hierarchy of Generally Accepted Accounting Principles," which identifies a consistent framework for selecting accounting principles to be used in preparing financial statements for non-governmental entities that are presented in conformity with US GAAP. The current GAAP hierarchy was criticized due to its complexity, ranking position of FASB Statements of Financial Accounting Concepts and the fact that it is directed at auditors rather than entities. SFAS No. 162 will be effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." The FASB does not expect that SFAS No. 162 will have a change in current practice, and the Company does not believe that SFAS No. 162 will have an impact on its financial position, results of operations or cash flows.

4. Acquisition of LatAm business

On August 3, 2007, the Company entered into a Stock Purchase Agreement with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonalds business in Latin America for $679.4 million. The purchase price was comprised of (a) a base purchase price amounting to $700 million, and (b) an additional purchase price equal to the final working capital of the acquired business amounting to $20.6 million negative. The Company paid the base purchase price and the estimated additional purchase price at the transaction date totaling $701.3 million. Subsequently, the Company recorded a receivable from McD Corporation amounting to $21.9 million for the difference between the final working capital and the working capital estimated at the transaction date. This receivable was collected in 2008 ($15.0 million in cash and $6.9 million by assignment of a receivable from suppliers). Fees and expenses associated with this acquisition amounted to $18.7 million. The acquisition of the LatAm Business has been accounted for by the purchase method of accounting and, accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. This allocation was made on a reporting unit basis. When the fair value of the net assets acquired exceeded the purchase price, the resulting negative goodwill was allocated to partially reduce the fair value of the non-current assets acquired on a pro-rata basis. Goodwill was recorded when the purchase price exceeded the fair value of the net assets acquired.

A condensed balance sheet disclosing the amount assigned to each major asset and liability caption of the acquired company at the acquisition date is presented below:

Cash and cash equivalents	$ 32,976
Accounts and notes receivable, net	128,879
Property and equipment	684,978
Intangible assets and goodwill	40,027
Other assets	123,683
Total assets	1,010,543
Accounts payable	69,404
Accrued payroll and other liabilities	140,244
Other liabilities	98,215
Total liabilities	307,863
Minority interest	4,600
Net assets	$ 698,080

In connection with this transaction, the Company and certain subsidiaries (the "MF subsidiaries") also entered into a 20-year Master Franchise Agreement ("MFA") with McDonald's Corporation which grants to the Company and its MF subsidiaries the following:

i. The right to own and operate, directly or indirectly, franchised restaurants in each territory;

ii. The right and license to grant sub franchises in each territory;

iii. The right to adopt and use, and to grant the right and license to sub franchisees to adopt and use, the system in each territory;

iv. The right to advertise to the public that it is a franchisee of McDonald's;

v. The right and license to grant sub franchises and sublicenses of each of the foregoing rights and licenses to each MF subsidiary.

Pursuant to the MFA provisions, McDonald's Corporation have the right to (a) terminate the MFA, or (b) exercise a call option over the Company's shares or any MF subsidiary, if the Company or any MF subsidiary (i) fails to comply with the McDonalds System, (ii) incurs in bankruptcy, (iii) defaults on its financial debt payments, (iv) substantially fails to achieve targeted openings and reinvestments requirements, or (v) incurs in another event of default as defined in the MFA.

5. Credit Agreement

On August 2, 2007 the Company entered into a US$350 million Credit Agreement maturing in January 2009 to partially finance the acquisition of the LatAm Business. The Credit Agreement bore an interest of LIBOR plus an applicable margin of 0.60% per annum, which increased 0.20% each quarter. Interest was payable on a monthly basis and was charged to expense following the interest method. Financing costs amounting to $8.4 million were fully amortized during fiscal years 2007 and 2008.

On November 10, 2008, the Company completed the refinancing of the Credit Agreement for $350 million. Pursuant to the terms and conditions of the Amended and Restated Credit Agreement ("A&R Credit Agreement"),

the principal amount will be amortized in 7 semiannual installments commencing on November 10, 2010 and maturing on November 10, 2013. The A&R Credit Agreement accrues interest at LIBOR plus 425 basis points per annum (this spread will be reduced to 375 basis points after the first year if certain conditions are met). The first interest payment will be made on May 11, 2009. Subsequently, interest will be paid on a quarterly basis. The Company may at any time select a different interest period. The Company incurred $9.8 million of financing costs related to this refinancing.

Interest expense related to the Credit Agreement and A&R Credit Agreement was $16.1 million and $9.1 million during fiscal years 2008 and 2007, respectively. Amortization of deferred financing costs related to the Credit Agreement and A&R Credit Agreement amounted to $4.9 million and $3.8 million for fiscal years 2008 and 2007, respectively. Amortization of deferred financing costs is included within “net interest expense” in the consolidated statements of income.

The A&R Credit Agreement is guaranteed by each of the Company’s subsidiaries, except those designated as “excluded subsidiaries” as defined in the agreement. The A&R Credit Agreement imposes certain restrictions on the Company, including restrictions on its ability, with certain permitted exceptions, to: create or incur major liens on property or assets; enter partnerships or mergers; sell or lease its property or assets; pay dividends in excess of the 75% of the Company’s net income; incur significant debt; lend money, make advances or make investments outside normal business; and transfer funds from any territory to Venezuela and Argentina in excess of certain limits. The A&R Credit Agreement also requires the Company to (i) hedge 57% of the Company’s currency exposure from the A&R Credit Agreement, (ii) comply with certain financial ratios on a quarterly basis, and (iii) make a mandatory prepayment under certain conditions. As of December 31, 2008, the Company was in compliance with all restrictive covenants. The obligations and guaranties arising from the MFA shall rank at least pari passu with all other present and future unsubordinated debt of the Company or any of its subsidiaries.

6. Derivative instruments

Fiscal year ended December 31, 2007

Cross-currency interest rate swaps

In order to reduce the Company’s exposure to an increase in interest rates and also to partially reduce the Company’s exposure to the effects of devaluations in local currencies (affecting the Company’s generation of cash flows in US Dollars to settle the Credit Agreement), during 2007 the Company entered into certain derivative financial instruments as described below.

On August 2, 2007, the Company entered into a cross-currency rate swap agreement with Banco Santander Central Hispano S.A. to convert a portion of its debt under the Credit Agreement ($100 million at LIBOR plus 60 basis points) to a Brazilian reais-denominated fixed-rate debt (R$195.3 million at a fixed rate of 11.5%). This swap agreement matured on October 15, 2007. The Company recognized a loss of $10.1 million during fiscal year 2007 in connection with this agreement.

On October 15, 2007, the Company entered into a cross-currency rate swap agreement with Banco Santander Central Hispano S.A. to convert a portion of its debt under the Credit Agreement ($100 million at LIBOR plus 60 basis points) to a Brazilian reais-denominated fixed-rate debt (R$180.5 million at a fixed rate of 10.2%). The Company recognized a loss of $3.6 million during fiscal year 2007 in connection with this agreement. This swap agreement was settled before its maturity in January 2008. This swap agreement is reported at fair market value on the consolidated balance sheet, amounting to $3,567 payable.

Fiscal year ended December 31, 2008

Interest rate swap

On November 10, 2008, the Company entered into an interest rate swap agreement with Banco Santander Central Hispano S.A. to hedge a portion of the cash flows associated with its A&R Credit Agreement. The agreement has a total notional value of $140 million, which amortizes over the life of the swap. The interest rate swap agreement effectively converts the A&R Credit Agreement, which is floating-rate debt, to a fixed-rate up to the unamortized notional value of the swap by having the Company pay fixed-rate amounts in exchange for the receipt of the floating-rate interest payments. Under the terms of this agreement, a quarterly net settlement is made for the difference between the fixed rate of 2.66% and the variable rate based upon the three-month LIBOR rate on the notional amount of the interest rate swap. This interest rate swap agreement terminates on November 10, 2013. The Company has determined that its interest rate swap agreement has been appropriately designated and documented as a cash flow hedge under SFAS 133.

As of December 31, 2008, the Company recorded the fair value of the derivative liability of $3,455 in the consolidated balance sheet. The Company recorded an $8 gain in earnings as an adjustment to interest expense and $3,463 as other comprehensive loss during fiscal year 2008.

Cross-currency interest rate swaps

On November 10, 2008, and in connection with the refinancing process of the A&R Credit Agreement the Company committed to hedge 57% of the Company's currency exposure from the A&R Credit Agreement related to the Company's generation of cash flows in Brazilian Reais (equivalent to $200 million).

On December 17, 2008, the Company entered into cross-currency interest rate swap agreements with Banco Santander S.A. and The Bank of Nova Scotia to convert a portion of its debt under the A&R Credit Agreement ($100 million at LIBOR) to a Brazilian reais-denominated fixed-rate debt (R$237.4 million at a fixed rate of 12.14%). The notional amounts amortize over the life of the swaps, maturing on November 10, 2013. These swap agreements are carried at fair market value in the consolidated balance sheet with changes reported in earnings. At December 31, 2008 the fair market value totaled $9,274 (payable). See note 17 for details of subsequent events.

7. Short-term debt

Short-term debt consists of the following at year-end:

	2008	2007
Bank overdrafts[(i)]	$ 5,927	$ –
Short-term loans[(ii)]	9,180	–
	$15,107	$ –

(i) Comprised of several overdrafts granted by *Banco Frances* and *Banco Itaú* in Argentina totaling 25.0 million of Argentine Pesos, of which 20.5 million have been used at year-end. These overdrafts mature in January 2009 and accrue interest at an annual average interest rate of 32%.

(ii) The balance includes the following short-term loans:

a. A loan granted by *Citibank Argentina* in November 2008 amounting to 18.5 million of Argentine Pesos (equivalent to $5,357 at year-end exchange rate). This loan matures in March 2009 and accrues interest at an annual fixed rate of 26%.

b. A loan granted by *Banco Provincial Venezuela* in November 2008 amounting to 6.0 million of Bolívares Fuertes (equivalent to $2,791 at year-end exchange rate). This loan matures in January 2009 and accrues interest at an annual fixed rate of 28%.

c. Two loans granted by *Citibank Colombia* in December 2008 totaling 2,300 million of Colombian Pesos (equivalent to $1,032 at year-end exchange rate). These loans mature in January 2009 and accrue interest at an annual fixed rate of 18%.

8. Property and equipment, net

Property and equipment, net consist of the following at year-end:

	2008	2007
Land	$143,779	$150,337
Buildings and leasehold improvements	400,220	389,171
Equipments	218,379	202,873
Total Cost	762,378	742,381
Total Accumulated Depreciation	(52,711)	(17,708)
	$709,667	$724,673

Total depreciation expense for fiscal years 2008 and 2007 amounted to $44,960 and $16,341, respectively.

9. Intangible assets, net

Intangible assets, net consist of the following at year-end:

	2008	2007
Computer software cost	$15,834	$12,721
Initial franchise fees	24,372	24,517
Letter of credit fees	3,025	1,800
Total Cost	43,231	39,038
Total Accumulated Amortization	(6,182)	(1,978)
	$37,049	$37,060

Total amortization expense for fiscal years 2008 and 2007 amounted to $4,536 and $1,922, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows: $3,091 for 2009; $3,091 for 2010; $3,091 for 2011; $3,091 for 2012; and $3,045 for 2013.

10. Goodwill

Goodwill consists of the following at year-end:

	2008	2007
Mexico(i)	$ 5,206	$ –
Brazil[(i)]	4,619	–
Martinique[(ii)]	561	633
Ecuador[(iii)]	273	–
Peru[(i)]	131	–
French Guyana	49	–
	$10,839	$633

(i) Relates to the acquisition of franchise restaurants in 2008.

(ii) This balance resulted from the acquisition of the LatAm business in August 2007.
(iii) Relates to the acquisition of the minority interest in 2008.

11. Lease agreements

Operating leases

At December 31, 2008, the Company was the lessee at 1,465 restaurants locations through ground leases (the Company leases the land and the Company or franchisee owns the building) and through improved leases (the Company leases land and buildings). Lease terms for most restaurants vary between 10 and 20 years and, in many cases, provide for rent escalations and renewal options, with certain leases providing purchase options. Escalations terms vary by reporting unit, with examples including fixed-rent escalations, escalations based on an inflation index, and fair value adjustments. The timing of these escalations generally ranges from annually to every five years. For most locations, the Company is obligated for the related occupancy costs including property taxes, insurance and maintenance. However, for franchised sites, the Company requires the franchisees to pay these costs. In addition, the Company is the lessee under non-cancelable leases covering certain offices and warehouses.

At December 31, 2008, future minimum payments required under existing operating leases with initial terms of one year or more are:

	Restaurants	Others	Total
2009	$ 99,778	$ 4,255	$ 104,033
2010	101,356	4,456	105,812
2011	102,250	4,937	107,187
2012	103,495	5,360	108,855
2013	105,409	5,830	111,239
Thereafter	561,139	10,252	571,391
Total minimum payments	$1,073,427	$35,090	$1,108,517

The following table provides detail of rent expense for fiscal year 2008 and 2007:

	2008	2007
Company-operated restaurants(i)	$ 83,545	$30,686
Franchised restaurants(ii)	34,065	12,696
Total rent expense	$117,610	$43,382

(i) Included within the caption "Occupancy and other operating expenses" in the consolidated statement of income.
b. Included within the caption "Franchised restaurants — occupancy expenses" in the consolidated statements of income.

Capital lease obligations

Included in the cost of property and equipment are assets obtained through capital leases which expire in 2016.

The following is a summary of assets under capital leases at year-end:

	2008	2007
Cost	$4,019	$5,153
Accumulated depreciation	(333)	(390)
Leased property, net	$3,686	$4,763

Depreciation expense related to property and equipment under capital lease was $37 and $16 during fiscal years 2008 and 2007, respectively.

The capital leases are collateralized by the leased assets and are generally due in minimum quarterly payments totaling approximately $88, including interest at a weighted-average annual rate of 4%. Interest expense related to capital leases was approximately $198 and $213 for fiscal years 2008 and 2007, respectively.

At December 31, 2008, future payments under the capital lease obligations are as follows:

	2008
2009	$ 352
2010	352
2011	352
2012	352
2013	352
There after	1,028
Total minimum lease obligations	2,788
Interest	(719)
Present value of net minimum lease obligations	2,069
Current portion of capital lease obligations	199
Capital lease obligations, excluding current portion	$1,870

12. Franchise arrangements

Individual franchise arrangements generally include a lease and a license and provide for payment of initial fees as well as continuing rent and service fees (royalties) to the Company based upon a percentage of sales with minimum rent payments. The Company's franchisees are granted the right to operate a restaurant using the McDonald's system and, in most cases, the use of a restaurant facility, generally for a period of 20 years. Franchisees pay related occupancy costs including property taxes, insurance and maintenance. Pursuant to the MFA, the Company should pay initial fees and continuing service fees for franchised restaurants to McDonald's Corporation. Therefore, the margin for franchised restaurants is primarily comprised of rental income net of occupancy expenses (depreciation for owned property and equipment and/or rental expense for leased properties).

Revenues from franchised restaurants for fiscal years 2008 and 2007 consisted of:

	2008	2007
Rent	$124,886	$45,304
Initial fees	512	338
Royalty fees	547	268
Total	**$125,945**	**$45,910**

At December 31, 2008, future minimum rent payments due to the Company under existing franchised agreements are:

	Owned Sites	Leased Sites	Total
2009	$ 36,868	$ 58,302	$ 95,170
2010	41,922	65,462	107,384
2011	46,535	71,507	118,042
2012	53,539	77,934	131,473
2013	62,268	89,383	151,651
Thereafter	159,229	279,590	438,819
Total	**$400,361**	**$642,178**	**$1,042,539**

13. Income taxes

The Company's operations are conducted by its foreign subsidiaries in Latin America. The foreign subsidiaries are incorporated under the laws of the respective countries and as such the Company is taxed in such foreign countries.

Statutory tax rates in the countries in which the Company operates for fiscal years 2008 and 2007 were as follows:

	2008	2007
Puerto Rico	39%	39%
Argentina	35%	35%
Brazil, Venezuela, Martinique, French Guyana and Guadeloupe	34%	34%
Colombia	33%	33%
Panama, Costa Rica, Ecuador, Peru and USVI	30%	30%
Uruguay	25%	30%
Mexico	17%	28%
Aruba and Curacao	25%	25%
Chile	17%	17%

Income tax expense for fiscal years 2008 and 2007 consisted of the following:

	2008	2007
Current tax expense	$ 63,284	$15,147
Deferred tax (income) expense	(60,796)	2,364
Income tax expense	**$ 2,488**	**$17,511**

The primary differences between the weighted-average statutory income tax rate and the effective income tax rate are non-deductible losses and changes in valuation allowance.

The net deferred tax position at year-end consisted of:

	2008	2007
Deferred tax assets before valuation allowance(i)	$ 319,266	$ 368,842
Deferred tax liabilities(ii)	(73,063)	(83,016)
Valuation allowance(iii)	(170,876)	(287,115)
Net deferred tax asset (liability)	**$ 75,327**	**$ (1,289)**

(i) Deferred tax assets consist primarily of the tax effect of tax loss carryforwards ($209.2 million at December 31, 2008 and $271.9 million at December 31, 2007) and the tax effect of temporary differences related to property and equipment, allowances and provisions.

(ii) Deferred tax liabilities consist primarily of the tax effect of temporary differences related to property and equipment, intangible assets and foreign currency exchange gains.

(iii) In assessing the realizability of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

Balance sheet classification of deferred taxes at December 31, 2008 and 2007 is as follows: current deferred tax assets of $7,376 in 2008 and $nil in 2007; non-current deferred tax assets of $74,728 in 2008 and $5,999 in 2007; and non-current deferred tax liabilities of $6,777 in 2008 and $7,288 in 2007.

As of December 31, 2008, the Company and its subsidiaries had accumulated operating tax loss carryforwards of approximately $723.3 million. These operating tax loss carryforwards expire as follows:

	2008
Fiscal year 2009	$ 14,033
Fiscal year 2010	18,407
Fiscal year 2011	16,531
Fiscal year 2012	7,193
Fiscal year 2013	9,901
Thereafter	60,459
Without expiration terms	596,792
	$723,316

14. Commitments and contingencies

Commitments

The MFA requires the Company and its MF subsidiaries, among other obligations:

(i) to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants;

(ii) to commit to open approximately 160 new McDonald's restaurants over the first three years and pay an initial franchise fee for each new restaurant opened;

(iii) to commit to specified annual capital expenditures for existing restaurants according to an initial reinvestment plan amounting to US$143 million;

(iv) to commit to funding a specified Strategic Marketing Plan; and

(v) to own (or lease) directly or indirectly, the fee simple interest in all real property on which any franchised restaurant is located.

In addition, the Company maintains (a) a standby letter of credit with an aggregate drawing amount of $65 million, and (b) a cash deposit of $15 million in favor of McDonald's Corporation as collateral for the obligations assumed under the MFA. The letter of credit can be drawn and/or the cash deposit be used if certain events occur, including the failure to pay royalties. No amounts have been drawn or used at the date of issuance of these Consolidated Financial Statements.

Provision for contingencies

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. At December 31, 2008 the Company maintains a provision for contingencies amounting to $95.0 million ($100.4 million at December 31, 2007) disclosed as a non-current liability net of judicial deposits amounting to $10.7 million ($13.1 million at December 31, 2007), that the Company was required to make in connection with the proceedings.

The provision for contingencies includes $68.6 million related to Brazilian claims ($79.3 at December 31, 2007). Pursuant to Section 9.3 of the Purchase Agreement, McDonald's Corporation shall indemnify the Company for these claims. As a result, the Company has recorded a non-current asset with McDonald's Corporation in the consolidated balance sheet.

15. Disclosures about fair value of financial instruments

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which establishes a formal framework for measuring fair values of assets and liabilities in financial statements that are already required by US GAAP to be measured at fair value. SFAS No. 157 clarifies guidance in FASB Concepts Statement No. 7 which discusses present value techniques in measuring fair value. Additional disclosures are also required for transactions measured at fair value. The Company adopted SFAS No. 157 effective January 1, 2008. The adoption of SFAS No. 157 did not have an impact on its financial position or results of operations for the year ended December 31, 2008.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The transaction is based on a hypothetical transaction in the principal or most advantageous market considered from the perspective of the market participant that holds the asset or owes the liability.

The valuation techniques that can be used under SFAS No. 157 are the market approach, income approach or cost approach. The market approach uses prices and other information for market transactions involving identical or comparable assets or liabilities, such as matrix pricing. The income approach uses valuation techniques to convert future amounts to a single discounted present amount based on current market conditions about those future amounts, such as present value techniques, option pricing models (i.e. Black-Scholes model) and binomial models (i.e. Monte-Carlo model). The cost approach is based on current replacement cost to replace an asset.

The Company utilizes market data or assumptions that market participants who are independent, knowledgeable and willing and able to transact would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observability of those inputs. SFAS No. 157 establishes a formal fair value hierarchy based on the inputs used to measure fair value. The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements, and accordingly, level 1 measurement should be used whenever possible.

The three levels of the fair value hierarchy as defined by SFAS No. 157 are as follows:

Level 1: Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment. Examples include exchange-traded derivatives and listed equities that are actively traded.

Level 2: Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability. Financial instruments that are valued using models or other valuation methodologies are included. Models used should primarily be industry-standard models that consider various assumptions and economic measures, such as interest rates, yield curves, time value, volatilities, contract terms, current market prices, credit risk or other market-corroborated inputs. Examples include most over-the-counter derivatives (non-exchange traded), physical commodities, most structured notes and municipal and corporate bonds

Level 3: Valuations utilizing significant, unobservable inputs. This provides the least objective evidence of fair value and requires a significant degree of judgment. Inputs may be used with internally developed methodologies and should reflect an entity's assumptions using the best information available about the assumptions that market participants would use in pricing an asset or liability. Examples include certain corporate loans, real-estate and private equity investments and long-dated or complex over-the-counter derivatives.

Depending on the particular asset or liability, input availability can vary depending on factors such as product type, longevity of a product in the market and other particular transaction conditions. In some cases, certain inputs used to measure fair value may be categorized into different levels of the fair value hierarchy. For disclosure purposes under SFAS No. 157, the lowest level that contains significant inputs used in valuation should be chosen. Per SFAS No. 157, the Company has classified its assets and liabilities into these levels depending upon the data relied on to determine the fair values. The fair values of the Company's derivatives are valued based upon quotes obtained from counterparties to the agreements and are designated as Level 3.

The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2008:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2008
Liabilities				
Interest rate swap . . .	–	–	$ (3,455)	$ (3,455)
Cross-currency interest rate swaps	–	–	(9,274)	(9,274)
Total Liability	–	–	**$(12,729)**	**$(12,729)**

The derivative contracts were measured based on quotes from the Company's counterparties. Such quotes have been derived using a model that considers various inputs including current market and contractual prices for the underlying instruments, volatility factors, exchange rates and interest rates. Although the Company utilizes multiple quotes to assess the reasonableness of its values, the Company has not attempted to obtain sufficient corroborating market evidence to support classifying these derivative contracts as Level 2.

16. Shareholders' equity

Authorized capital

At December 31, 2008, the Company has authorized capital stock amounting to Euros 100,000, consisting of 1,000 shares of common stock with a par value of Euros 100 each.

Issued and outstanding capital

At December 31, 2006, the Company had issued and outstanding 200 shares of common stock, being the total par value Euros 20,000. Pursuant to a resolution of the sole shareholder of the Company dated August 3, 2007, the Company issued 1 share of common stock in exchange for $377.5 million. The proceeds from this issuance were used to finance the acquisition of the LatAm business. At December 31, 2008 and 2007, the Company had issued and outstanding 201 shares of common stock, being the total par value Euros 20,100. Holders of these shares are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders.

Distribution of dividends

The Company can only make distributions to the extent its equity exceeds the sum of the paid and call up part of the capital and the reserves which must be maintained pursuant to the law. However, the Credit Agreement contains certain restrictions on the distribution of dividends as described in Note 5.

Liquidation

If the Company is dissolved pursuant to a resolution by the general meeting of shareholders, the managing directors shall be the liquidators of the dissolved company, unless the general meeting appoints other persons to that effect. In the event of liquidation, the surplus remaining after payment of the Company's debts shall be paid to the shareholders in proportion to the aggregate nominal value of their individual shareholdings.

17. Subsequent events

In January and March 2009 the Company entered into cross-currency interest rate swap agreements with Banco Santander S.A. to convert a portion of its debt under the A&R Credit Agreement ($100 million at LIBOR) to a Brazilian reais-denominated fixed-rate debt (R$228.8 million at a fixed rate of 11.16%). The notional amounts amortize over the life of the swaps, maturing on November 10, 2013.

During the first quarter of 2009, the Company's short-term debt increased from $15,107 to $27,559.

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