



Financial Statements

BK Brasil Operação e Assessoria a Restaurantes S.A.

December 31, 2021
with Independent Auditor's Report

MANAGEMENT REPORT

HIGHLIGHTS:

PERFORMANCE 2021 x 2020:

- **Record net operating revenue** reaching R\$2,753.3 , up by **23.0%**
- **Same-store sales were up by 6.0%** for BKB and by **15.3%** for Popeyes;
- **Digital channels revenue (Delivery, Totem and App) increased by 84%**, a historical record and reaches **32%** of the Company's sales;
- Revenue management initiatives and a greater efficiency on the supply chain allowed us to efficiently manage gross margin;
- **Digital channel sales accounted for 52.8%** of total Popeyes' sales in 2021;
- **Loyalty program came to 3.7 million users in 9 months**, and already accounts for **10%** of total sales, with a significant increase in average ticket and frequency;
- **Adjusted EBITDA** came to R\$241.5 million, up by R\$259.0 million vs. 2020; **Adjusted EBITDA Margin** of 8.8% vs. adjusted EBITDA margin of -0.8% in 2020;
- **893 Burger King restaurants and 52 Popeyes restaurants** by the end of 2021, with net opening of 40 stores
- **After 3 years of its launch in Brazil and despite all pandemic impacts, Popeyes was chosen the 3rd favorite QSR brand in the city of São Paulo.**

FINANCIAL HIGHLIGHTS - R\$ MILLION (CONSOLIDATED)	2021	2020	VAR.
NET OPERATING REVENUE	2,753.3	2,238.1	23.0%
ADJUSTED EBITDA	241.5	(17.5)	1480.0%
% OF NET OPERATING REVENUE	8.8%	-0.8%	960bps
NET INCOME (LOSS)	(273.8)	(445.6)	-38.6%
GROSS DEBT	790.3	830.8	-4.9%
NET DEBT	339.5	10.0	3295.0%
SHAREHOLDERS' EQUITY	1,572.7	1,838.5	-14.5%
OPERATIONAL HIGHLIGHTS	2021	2020	VAR.
# OF RESTAURANTS	945	905	40
OWNED RESTAURANTS			
# OWNED RESTAURANTS BEGINNING OF PERIOD	703	714	(11)
BURGER KING® RESTAURANT OPENINGS	26	17	9
BURGER KING® RESTAURANT CLOSINGS	-	(30)	30
ACQUISITION / SALE OF BURGER KING® RESTAURANT BUSINESSES	(1)	(1)	-
POPEYES® RESTAURANT OPENINGS	8	3	5
# OWNED RESTAURANTS END OF PERIOD	736	703	33
FRANCHISEES RESTAURANTS			
# FRANCHISEES RESTAURANTS BEGINNING OF PERIOD	202	198	4
BURGER KING® RESTAURANT OPENINGS	9	7	2
BURGER KING® RESTAURANT CLOSINGS	(3)	(4)	1
ACQUISITION / SALE OF BURGER KING® RESTAURANT BUSINESSES	1	1	-
# FRANCHISEES RESTAURANTS END OF PERIOD	209	202	7
COMPARABLE SALES GROWTH IN SAME RESTAURANTS BKB	6.0%	-12.9%	1890bps

MESSAGE FROM THE MANAGEMENT

2021 was yet another year of great learning and growth for our Company. We saw a movement towards a greater control of the pandemic in Brazil and abroad and, at the same time, we had to adapt our business on a daily basis in order to find alternative routes that allowed us to pursue better results under a highly complex industry scenario. The relentless work of making the best decisions everyday marked the dynamic of the past year for our company.

After a challenging start of the year with severe restrictions, in the second half, we were, once again, able to show the strength of our team, the potential of our brand and the resilience of our business in a scenario closer to reality. All our investments in technology showcase our business capacity to incorporate digital fronts targeted at experience, efficiency and sales; nonetheless, our physical stores will remain our core activity. This synergy was evident as we saw the gradual traffic resumption at our stores, while digital channels continued in their strong growth path, which has enabled us to be more efficient in several operational fronts. We keep looking for new investments, growing our restaurant chain in a yet under-penetrated market, adapting formats to be better aligned to our consumer demands and working on important fronts to reduce store-opening costs. That was a period that made us see things in a new perspective. One example was the opening of our first store without cashiers, with 100% digital transactions. Our loyalty program, an important milestone in our digital transformation, reached significant figures after a very short period and showed us that scaling technology can boost our results over time. At Popeyes, we managed to build a brand in a market that is an alternative growth avenue. It was chosen the 3rd favorite fast food brand in the city of São Paulo. Since its inception, at the end of 2018, we faced 2 years full of restrictions imposed by the pandemic. Naturally, it is a business line that, according to our expectations, requires investment over the first years, but after maturity, we see a potential similar to BK's, in terms of profitability and return.

2021 was also the year of important progress in two of our main features: quality of our iconic products and customer experience. After a long development period and following important global consumption trends, we were able to have almost 90% of our BK products free of artificial preservatives/coloring. We recently launched a campaign that highlights this advancement and the "real" food differential.

The experience in our restaurants, as in 2020, continued to progress through training, control and a lot of technology. Reducing friction in each step of our consumers' journey has become at the heart of our actions and projects. And the result is showing that we are on the right track, as we currently have significantly higher Net Promoter Score levels than our main competitors, both in digital channels and in our restaurants.

This year we also announced our ESG commitments up to 2030. Through three priority pillars - our food, footprint and people, we established 16 commitments that show our important part in transforming society into a better world.

All of these important advancements make us proud of how we ended our year, but, more than that, they give us confidence that we are in the right track and prepared to face 2022 with all our strength, enchanting our customers with the best products, a strong expansion plan, efficiency and much technology.

We would like to thank our entire team, who was relentless throughout the past 2 years to make all this happen, and to our investors, franchisees and business partners who have supported and believed in the potential of our company and our business.

Warm hugs and an excellent 2022!

Management team

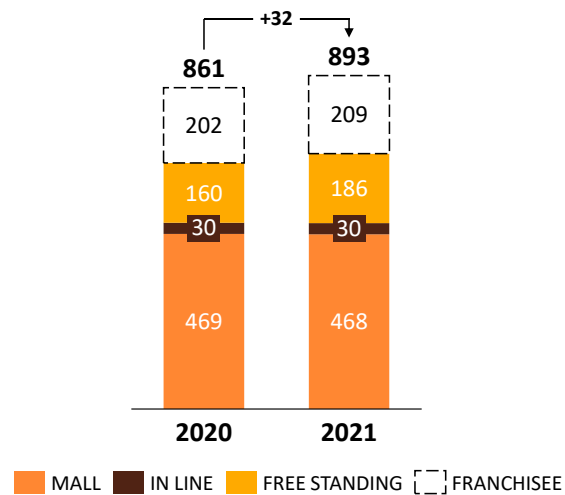
OPERATIONAL PERFORMANCE

Restaurant Chain

Throughout 2021, the Company's net openings totaled 40 stores, of which 26 are own BK stores, 9 are BK franchise restaurants and 8 Popeyes.

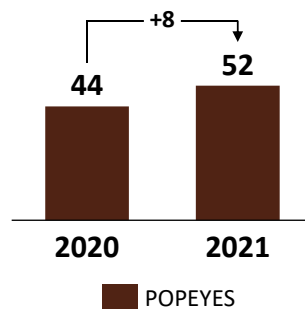
BURGER KING® System

35 Burger King stores opened (26 own stores and 9 franchises), all of which are Free-Standing stores. 3 stores were closed during the year and there were 3 brand transfers. Thus, the BURGER KING® system ended 2021 with 893 restaurants operating in Brazil.



POPEYES® System

The POPEYES® system opened 8 stores in the period, ending the year with 52 own units, all of which in the states of São Paulo and Rio de Janeiro.



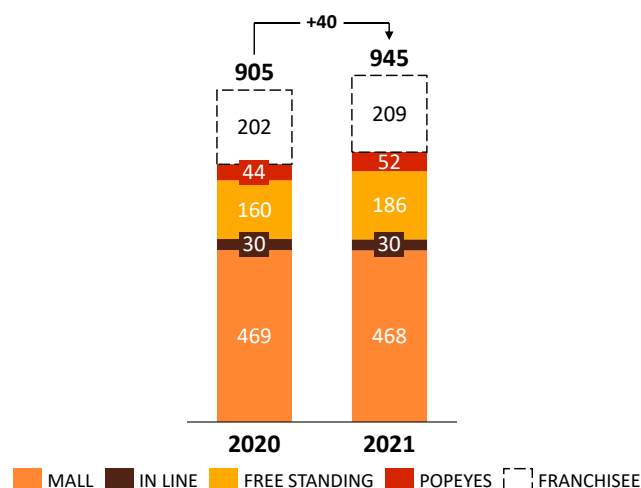
BURGER KING® dessert centers

In addition to the 893 restaurants, the BURGER KING® system ended the year with 434 dessert centers. No center was closed vs 2020.



Total restaurant chain

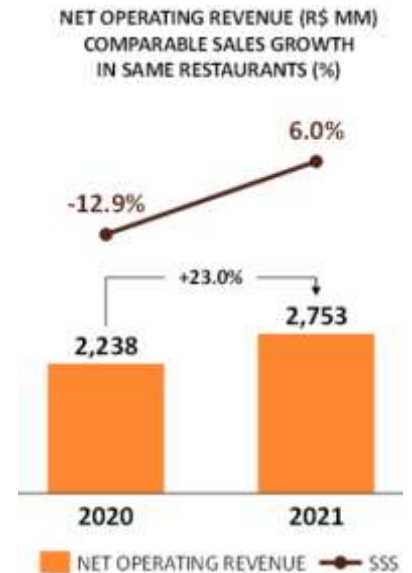
Therefore, the Company ended 2021 with a total of 945 restaurants, of which 736 are company-owned BURGER KING® and POPEYES® restaurants and 209 are BURGER KING® franchisees.



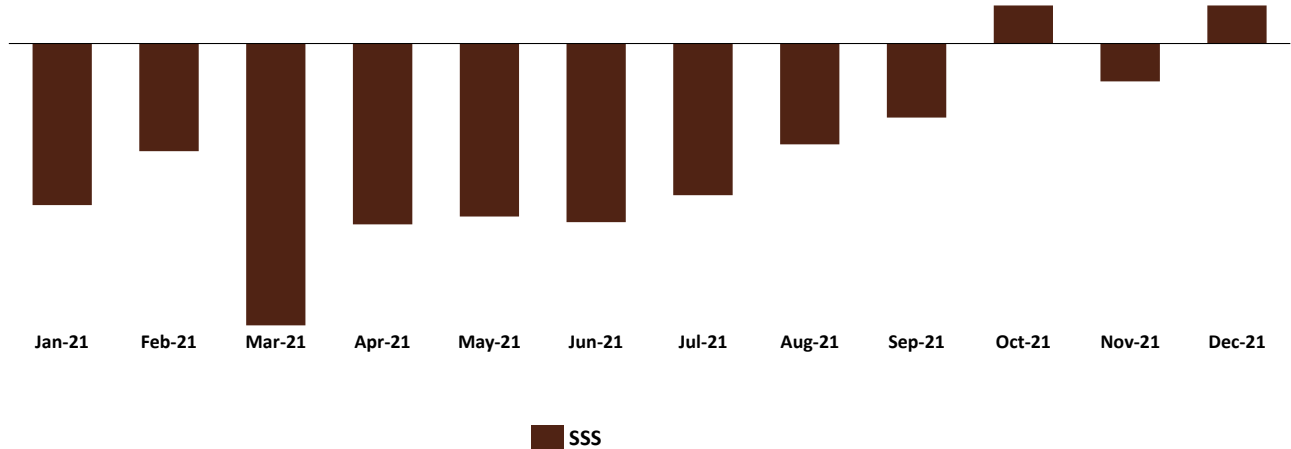
FINANCIAL PERFORMANCE

Net operating revenue

In 2021, the Company's net operating revenue stood at R\$2,753.3 million, up by 23.0% when compared to the same period in the previous year. Due to the rise in vaccination rates and the improvement of urban mobility indicators, the Company's sales have picked up strongly, ending the year above the 2019 figures in terms of same-store sales. This improvement refers mainly to the gradual returning to the shopping malls, where we have a large number of our restaurants and an increasing representativeness of digital channels that continue to grow, despite the recovery of on-premise consumption. Digital sales, which are represented by delivery, totem and app, once again played an important part in the recovery and accounted for 32% of the Company's sales, up by 84% when compared to the same period in the previous year.



SSS vs. 2019 (Burger King)

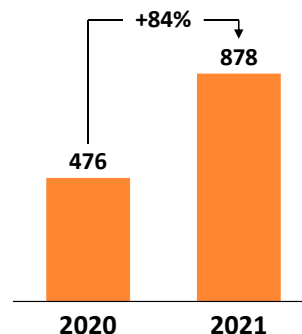


At Popeyes, we keep on building a brand that continually and positively surprises us in terms of awareness and with strong NPS scores and product quality. It is important to note that, after only three years of operations, two of them during the pandemic, the Popeyes brand was chosen the third most preferred QSR brand by Brazilian consumers. Thus, in spite of shopping mall restrictions – which concentrate 100% of Popeyes' operations – the Company posted a positive 23.2% SSS when compared to the same period in the previous year. Similar to BK, technology has been playing an important part at Popeyes, a brand that has already been digital since birth and makes 52.8% of its sales through these channels. These results provide us confidence to execute our strong expansion plan in the chicken market over the coming years.

Sales Digitalization

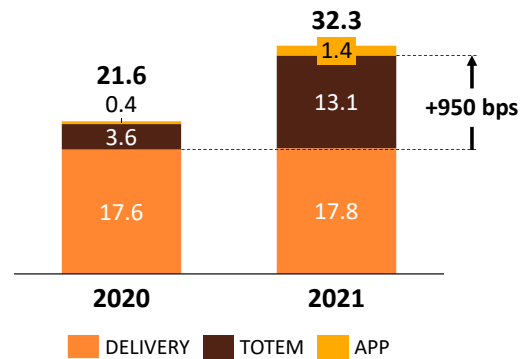
Digital sales, represented by delivery, totem and (mobile) app posted a new record this quarter, totaling R\$878.4 million, up by 84% vs. 2020, accounting for 32% of the Company's revenue compared to 21.6% in 2020. Digital sales posted a growth in every channel, however highlight was the sales through app (mobile) that were up by 250% when compared to 2020.

DIGITAL CHANNELS SALES (R\$ MM)



Delivery continues to show its resilience and growth, despite on-premise consumption being resumed. The increased coverage to additional cities, helped us expand our penetration and, as a result, our volume. In the year, 18% of the Company's total sales were represented by this channel. During 2021, our focus was on seeking growth solutions for our own platform, increasing our coverage area and achieving better efficiency. We ended the year with nearly 69% of our operations covered by our hybrid delivery solutions or 1P. Results of this last-mile solution show consistent customer experience levels, therefore, a good opportunity to collect data and be more profitable.

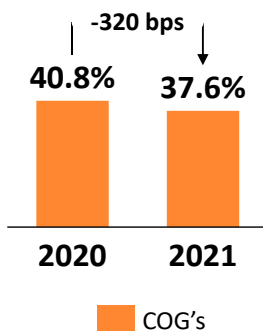
GROWTH AND REPRESENTATIVITY (%) OF DIGITAL SALES OVER TOTAL REVENUE



Self-service totems were once again a highlight during the year with a 9.5 p.p gain in its share of the Company's total sales. This channel continues to grow significantly and record high NPS scores, when compared to the on-counter purchases. This is one of the Company's main leverages for the coming years, since it is in line with our digitalization strategy, which has ensured a better and more efficient experience. We opened our first operation without cashiers in the end of the year and we are evaluating the potential of this initiative, as we understand the operational unfolding.

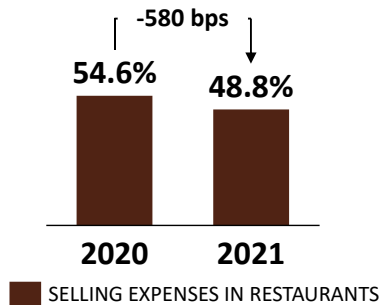
COGS and selling expenses

% OF NET OPERATING REVENUE



Cost of goods sold came to 37.6% of 2021 revenue, down by 320 bps vs. 2020. As shared with the market, over the past years, we have made important investments in initiatives that would help better understand our customers, thus, selling more at higher margins. The stability of the second semester figures that these initiatives, coupled with an important revenue management work, began to show their results. In parallel with these important fronts, we have been working hard in the supply chain, which enabled us to capture important result gains, already in this year.

% OF NET REVENUE

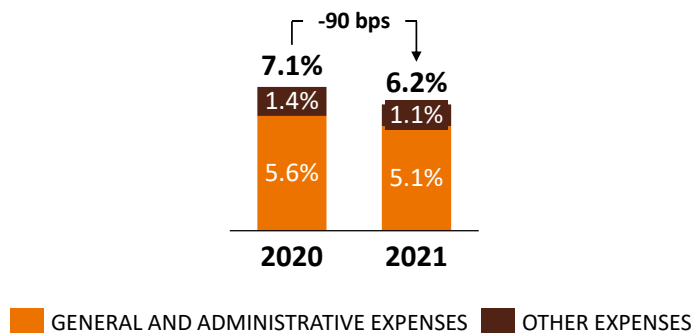


Selling expenses, excluding depreciation and amortization, accounted for 48.8% of 2021 revenue, down by 580 bps vs. 2020, reaching R\$1,344.1 million at year-end. As we have been mentioning, experience digitalization will have an important role in achieving better efficiency at restaurant level, with increased sales and lower operational costs. In the year, we had relevant impacts in our cost structure, e.g., occupancy contracts and delivery expenses, but we maintained our discipline to have a good control of discretionary expenses.

Total general and administrative expenses

General and administrative expenses, excluding depreciation and amortization, accounted for 6.2% of net revenue for the year, down by 90 bps vs. 2020, result of sales growth. The Company has made several investments, especially in technology and, when we have traffic levels closer to normal, we will see an important leverage in this expense line.

% OF NET REVENUE



Adjusted EBITDA

In 2021, Adjusted EBITDA stood at R\$241.5 million, up by R\$259.0 million when compared to 2020. This result is due to sales recovery, discipline in expenses control and digitalization strategy.

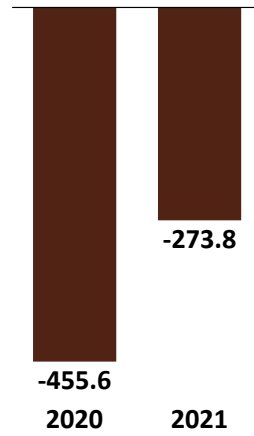


EBITDA - R\$ MILLION

	2021	2020	VAR %
NET INCOME (LOSS) FOR THE PERIOD	(273.8)	(445.5)	-38.5%
(+) FINANCIAL INCOME (LOSS)	98.0	44.3	121.2%
(+) DEPRECIATION AND AMORTIZATION	376.5	332.1	13.4%
(+/-) INCOME TAX AND SOCIAL CONTRIBUTION	3.2	14.2	-77.5%
EBITDA	203.8	(55.1)	-469.9%
<i>EBITDA MARGIN</i>	<i>7.4%</i>	<i>-2.5%</i>	<i>990bps</i>
(+) OTHERS EXPENSES	13.8	21.7	-36.4%
(+) COST OF STOCK OPTION PLAN	8.3	9.8	-15.3%
(+) MERGE AND ACQUISITION EXPENSES	7.4	0.2	0.0%
(+) PRE-OPERATING EXPENSES	8.2	5.9	39.0%
ADJUSTED EBITDA	241.5	(17.5)	1480.0%
<i>ADJUSTED EBITDA MARGIN</i>	<i>8.8%</i>	<i>-0.8%</i>	<i>960bps</i>

Net income (loss)

In 2021 the Company registered a net loss of R\$ 273.8 million. Due to the restrictions during the first semestre but with a better dinamic result scenario during the second half of the year.



RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with CVM Instruction No. 381/2003 and Circular Letter SNC/SEP No. 01/2007, the Company informs that until December 31, 2021, the independent auditor (ERNST & YOUNG Auditores Independentes SS (EY)), in addition to of the external audit services, services were contracted to assurance service regarding the association of the Company with DP Brasil in the amount equivalent to 27.6 of the fees for auditing the financial statements.

The Company adopt as a formal procedure to consult the independent auditors, to ensure that the performance of other services will not affect the independence and objectivity required to perform independent audit services. The Company's policy in the hiring of independent auditors' services ensures that there is no conflict of interests, loss of independence or objectivity.

In the hiring of such services, the policies adopted by the Company are based on principles that preserve the auditor's independence. These principles, according to internationally accepted standards, are: (a) the auditor cannot audit his own work; (b) the auditor cannot function as a part of management in his client, and (c) the auditor cannot serve in an advocacy role for his clients.

Board of Executive Officers

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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS)

Independent auditor's report on individual and consolidated financial statements

To the
Shareholders, Board of Directors and Management of
BK Brasil Operação e Assessoria a Restaurantes S.A.
Barueri - SP

Opinion

We have audited the individual and consolidated financial statements of BK Brasil Operação e Assessoria a Restaurantes S.A. ("Company"), identified as "Parent company" and "Consolidated", respectively, which comprise the statement of financial position as of December 31, 2021, and the statements of profit and loss, of comprehensive income (loss), of changes in equity and cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of BK Brasil Operação e Assessoria a Restaurantes S.A. as of December 31, 2021, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to support our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

• Goodwill impairment test

On December 31, 2021, as explained in Note 10, goodwill, generated in business combinations that occurred until then, totaled R\$572,199 thousand, in the Parent Company and in the Consolidated, representing 14.8% of total assets, on that date. At least once a year, the Company performs the impairment test based on estimates of future profitability based on the business plans and annual budget, adopted by Management. The methodology and modeling used to determine the recoverable value of this asset, which were based on the Company's discounted cash flow, an estimate for which subjective assumptions were used by Management that involve a reasonable degree of judgment, information and expected market and economic conditions, mainly in terms of sales and costs growth, discount rates and country risk.

The monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved in relation to the total assets and the potential risks to the Company's profit and loss for the year in the event of identification of impairment of this asset, in addition to the uncertainties inherent to the determination of the estimate of expected recovery values, given the use of market information and a high degree of judgment exercised by Management, in determining the assumptions of its calculation. A change in any of these assumptions may have a significant impact on the Company's individual and consolidated financial statements.

How our audit conducted this matter:

Our auditing procedures included, but were not limited to, the involvement of valuation specialists to assist in the analysis and review of the methodologies and models used by Management, in evaluating the assumptions that supported the projections that determined the business plan, budget, technical studies and analyzes of the recoverable amount of the Company's asset. Our procedures also included evaluating the reasonableness and consistency of the data and assumptions used in the preparation of such documents, including growth rates, discount rates, country risk and cash flows projections, among others, as provided by the Company's Management, and we also analyze the accuracy of arithmetic calculations. We have analyzed the projections made in previous periods in relation to the performance achieved by the Company. We analyzed information that could contradict the most significant assumptions and methodologies selected, as well as analyze data from comparable companies.

Additionally, we compared the recoverable amount determined by the Company's Management, based on the discounted cash flow, with the book value of the goodwill and assets of the cash generating unit, and evaluated the adequacy of the disclosures in Note 10 to the financial statements as of December 31, 2021.

Based on the results of the auditing procedures performed on the goodwill impairment test, which is consistent with management's assessment, we consider that the criteria and assumptions of goodwill used by management, as well as the respective disclosures in Note 10, are acceptable in the context of the financial statements taken as a whole.

• **Property and equipment impairment test**

According to Note 9, as of December 31, 2021, the balance of property and equipment, net, totaled R\$1,225,502 thousand, in the Parent Company and in the Consolidated, representing 31.8% of total assets. The Company, periodically, evaluates the recoverable value of the property and equipment allocated to the restaurants, based on estimates of the future cash generation of each restaurant, for decision on whether to recognize a provision or not, and, consequently, to decide whether or not to continue restaurants operations that are not performing as expected and estimated. The methodology and modeling used to calculate the recoverable value of these assets were based on the discounted cash flow of each restaurant, an estimate for which subjective assumptions were used by Management, which involve a reasonable degree of judgment, information and expected market and economic conditions, mainly in terms of sales and cost growth, restaurant performance evaluations and discount rates.

The monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved in relation to the total assets and the potential risks to the Company's profit and loss for the year in the event of identification of impairment of these assets, in addition to the uncertainties inherent to the determination of the estimate of expected recovery values, given the use of market information and a high degree of judgment exercised by Management, in determining the assumptions of its calculation. A change in any of these assumptions may have a significant impact on the Company's individual and consolidated financial statements.

How our audit conducted this matter:

Our auditing procedures included, but were not limited to, the analysis and review of the methodologies and models used by Management, the evaluation of the assumptions that supported the projections that determined the business plan, budget, technical studies and analyzes of the Company's property and equipment. Our procedures also included evaluating the reasonableness and consistency of the data and assumptions used in the preparation of these documents, including growth rates, discount rates, controls and procedures performed by Management to evaluate each restaurant's individual performance and cash flow projections, among others, as provided by the Company's Management, and we also analyzed the accuracy of arithmetic calculations. We compare the assertiveness of projections made in previous periods in relation to the performance achieved by the Company. We analyzed information that could contradict the most significant assumptions and methodologies selected, as well as analyze data from comparable companies.

Additionally, we compared the recoverable amount determined by the Company's Management, based on the discounted cash flow of each restaurant, with the book value of property and equipment and evaluated the adequacy of the disclosures in Note 9 to the financial statements as of December 31, 2021.

Based on the results of the audit procedures performed on the impairment test of property and equipment, which is consistent with management's assessment, we consider that the criteria and assumptions used, as well as the respective disclosures in Note 9, are acceptable in the context of the financial statements taken as a whole.

• **Deferred tax assets impairment test**

As described in Note 26, the Company has R\$256,271 thousand, in the Parent Company and in the Consolidated, corresponding to deferred tax credits arising from temporary differences, whose recognition and recoverability are based on a study prepared internally by the Management, about the generation of future taxable income. The preparation of such a study requires significant judgment in determining the projection of future taxable income.

The monitoring of this matter was considered significant for our audit due to the relevance of the amounts involved, as well as to the effects on the Company's profit and loss for the year, and the degree of judgment used in the projections of future taxable income, its estimates and assumptions, and the potential impact that any changes in these assumptions and estimates could bring about the amount of tax credits recorded in the Company's individual and consolidated financial statements.

How our audit conducted this matter:

Our auditing procedures included, but were not limited to, the use of specialized tax professionals to analyze the tax bases according to current tax legislation. Additionally, we performed analysis and evaluation of the assumptions and methodology used by Management in the projections of future taxable income, such as changes in sales and costs, temporary differences liabilities, taxable income, tax rates, arithmetic calculations, as well as comparing certain projection data, when available, with other external sources and alignment of these premises with the business plans approved by the Company's competent bodies. We compare the assertiveness of projections made in previous periods in relation to the performance achieved by the Company. Additionally, we have analyzed the adequacy of the disclosures made in Note 26 to the individual and consolidated financial statements.

Based on the results of the audit procedures performed on the recognition, measurement and recoverability of deferred tax assets through the availability of future taxable income, which is consistent with management's assessment, we consider that the criteria and assumptions of recoverable value of deferred tax assets adopted by the Company Management, as well as the respective disclosures in Note 26, are acceptable, in the context of the individual and consolidated financial statements taken as a whole.

• **Leases**

As described in Note 3, the Company and its subsidiaries adopted the new accounting pronouncement CPC 06 (R2) / NBC TG 06 (R3) / IFRS 16 as of January 1, 2019, using the retrospective modified approach as its transition method. This pronouncement establishes changes in accounting practices for the recognition, measurement, presentation, and disclosure of leases, substantially represented by rental of administrative and operational properties (restaurants), and requires that lessees account for all leases using a single model in its financial statements. On the lease commencement date, the lessee recognizes a lease liability, referring to future minimum payments, and an asset representing the right-of-use asset, during the lease term, and separately recognizes expenses with financial charges on the lease liability, and the amortization expense of the right-of-use asset.

At December 31, 2021, as mentioned in Notes 3 and 10, balances referring to the right-of-use asset and lease liability totaled R\$836,407 thousand and R\$918,467 thousand, respectively, accounting for 21.7% of total assets and 40.2% of total current and non-current liabilities, respectively. In addition, for the year then ended, right-of-use asset amortization amounts and the financial costs, net of indirect taxes, amounted to R\$150,644 thousand and R\$80,156 thousand, respectively, and the lease liability paid amounted to R\$191,819 thousand.

This matter was considered significant for our audit: i) due to the relevance of amounts involved; and, ii) because the assessment involves significant judgments in determining the assumptions and estimates used to determine the right-of-use asset and lease liabilities.

How our audit has addressed this matter:

Our audit procedures included, among others: (i) assessment of the adequacy of accounting policies for recognizing the Company's right-of-use asset and lease liabilities; (ii) inspection and reviewing lease contracts, on a sample basis, for the adequacy to said standard; (iii) testing, on a sample basis, the measured values of the right-of-use asset and lease liabilities, both recorded at the present value of the minimum lease payments; (iv) testing, on a sample basis, the amortization values of the right-of-use asset; and (v) analysis of the incremental interest rate calculated by the Company.

As a result of these procedures, we identified an audit adjustment relating to cut-off of rental expenses. This adjustment was not recorded by board of directors, since it was considered immaterial on the individual and consolidated financial statements as a whole.

Based on the result of the audit procedures carried out, we consider that the Company's lease recognition policies, as well as the respective disclosures in Notes 3 and 10, are acceptable, in the context of the overall individual and consolidated financial statements.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2021, prepared under the responsibility of Company board of directors, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.



Other information accompanying the individual and consolidated financial statements and the auditor's report

Board of directors is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of board of directors and those charged with governance for the individual and consolidated financial statements

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

In preparing the individual and consolidated financial statements, board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors.
- Concluded on the appropriateness of board of directors's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.



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We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 24, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

A handwritten signature in blue ink, appearing to read 'Luciano Ferreira da Cunha', with a stylized flourish at the end.

Luciano Ferreira da Cunha
Contador CRC-1SP210861/O-2

BK Brasil Operação e Assessoria a Restaurantes S.A.

As at December 31, 2021 and 2020

(In thousands of reais)



Statement of financial position

	Notes	Parent company		Consolidated	
		2021	2020	2021	2020
Assets					
Current Assets					
Cash and cash equivalents	4	111,589	219,669	111,590	219,670
Marketable securities	5	339,192	575,818	339,218	575,843
Restricted marketable securities	5	-	25,306	-	25,306
Trade receivables, net	6	139,267	107,188	139,267	107,188
Inventories	7	142,767	125,612	142,767	125,612
Taxes recoverable	8	44,053	37,116	44,053	37,116
Advances paid		4,525	3,695	4,525	3,695
Other receivables		32,279	24,669	32,279	24,669
Total current assets		813,672	1,119,073	813,699	1,119,099
Non-current assets					
Taxes recoverable	8	135,289	97,233	135,289	97,233
Judicial deposits	16	41,171	38,000	41,171	38,000
Other receivables		19,992	9,548	19,992	9,548
Property and equipment, net	9	1,225,502	1,195,664	1,225,502	1,195,664
Intangible assets, net	10	1,577,755	1,473,211	1,577,755	1,473,211
Total non-current assets		2,999,709	2,813,656	2,999,709	2,813,656
Total assets		3,813,381	3,932,729	3,813,408	3,932,755
Liabilities					
Current liabilities					
Loans and financings	11	153,535	53,612	153,535	53,612
Trade payables	12	247,917	217,616	247,917	217,616
Lease liabilities	3	160,105	126,941	160,105	126,941
Payroll and social charges		106,648	86,147	106,648	86,147
Corporate payables	17	22,122	15,824	22,122	15,824
Taxes payable	13	30,743	31,561	30,743	31,561
Deferred revenue, net	14	13,805	11,857	13,805	11,857
Other payables	15	26,448	20,947	26,475	20,973
Total current liabilities		761,323	564,505	761,350	564,531
Non-current liabilities					
Loans and financings	11	636,735	777,164	636,735	777,164
Provision for legal claims	16	25,422	23,163	25,422	23,163
Taxes payable	13	6,445	10,780	6,445	10,780
Deferred revenue, net	14	5,874	14,764	5,874	14,764
Lease liabilities	3	758,362	664,390	758,362	664,390
Deferred income tax and social contribution	26	29,112	22,643	29,112	22,643
Other payables	15	17,388	16,861	17,388	16,861
Total non-current liabilities		1,479,338	1,529,765	1,479,338	1,529,765
Equity					
Capital	18	1,461,068	1,461,068	1,461,068	1,461,068
Capital reserve and stock option plan		720,526	712,271	720,526	712,271
Shares in treasury		(24,214)	(24,214)	(24,214)	(24,214)
Other comprehensive income	28	147	300	147	300
Accumulated losses		(584,807)	(310,966)	(584,807)	(310,966)
Total equity		1,572,720	1,838,459	1,572,720	1,838,459
Total liabilities and equity		3,813,381	3,932,729	3,813,408	3,932,755

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2021 and 2020

(In thousands of reais, except earnings (loss) per share in reais)

**Statements of profit or loss**

	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Net operating revenue	20	2,753,287	2,238,127	2,753,287	2,238,127
Cost of goods and products sold	21	(1,034,605)	(913,957)	(1,034,605)	(913,957)
Gross profit		1,718,682	1,324,170	1,718,682	1,324,170
Operating expenses					
Expenses with stores	22	(1,693,769)	(1,531,876)	(1,693,769)	(1,531,876)
General and administrative expenses	23	(197,330)	(179,204)	(197,549)	(179,459)
Profit (loss) before financial income (expenses) and taxes		(172,417)	(386,910)	(172,636)	(387,165)
Financial expenses	24	(141,561)	(114,675)	(141,561)	(114,675)
Financial income	25	43,380	70,169	43,599	70,424
Financial income (expenses), net		(98,181)	(44,506)	(97,962)	(44,251)
Profit (loss) before income tax and social contribution		(270,598)	(431,416)	(270,598)	(431,416)
Income tax and social contribution	26	(3,243)	(14,191)	(3,243)	(14,191)
Profit (loss) for the year		(273,841)	(445,607)	(273,841)	(445,607)
Basic earnings (loss) per share	19	(0.9989)	(1.9161)	(0.9989)	(1.9161)
Diluted earnings (loss) per share	19	(0.9989)	(1.9161)	(0.9989)	(1.9161)

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2021 and 2020

(In thousands of reais)



Statements of comprehensive income (loss)

Parent company and Consolidated

	2021	2020
Profit (loss) for the year	(273,841)	(445,607)
Other comprehensive income	(153)	283
Total	(273,994)	(445,324)

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2021 and 2020

(In thousands of reais)



Statements of changes in equity

Description	Notes	Capital reserves							Retained earnings (accumulated losses)	Total equity
		Capital	Capital reserve (share premium)	Share issue cost	Stock option plan	Repurchase of shares	Profit reserves	Other comprehensive income		
As at December 31, 2019		950,768	786,459	(75,665)	14,623	(24,214)	134,641	17	-	1,786,629
Capital contribution		510,300	-	-	-	-	-	-	-	510,300
Share issue cost		-	-	(22,970)	-	-	-	-	-	(22,970)
Stock option plan	30	-	-	-	9,824	-	-	-	-	9,824
Derivative financial instruments	28	-	-	-	-	-	-	283	-	283
Profit (loss) for the year		-	-	-	-	-	-	-	(445,607)	(445,607)
Absorption of profit reserves with Loss for the year		-	-	-	-	-	(134,641)	-	134,641	-
As at December 31, 2020		1,461,068	786,459	(98,635)	24,447	(24,214)	-	300	(310,966)	1,838,459
Share issue cost		-	-	(29)	-	-	-	-	-	(29)
Stock option plan	30	-	-	-	8,284	-	-	-	-	8,284
Derivative financial instruments	28	-	-	-	-	-	-	(153)	-	(153)
Loss for the year		-	-	-	-	-	-	-	(273,841)	(273,841)
As at December 31, 2021		1,461,068	786,459	(98,664)	32,731	(24,214)	-	147	(584,807)	1,572,720

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2021 and 2020

(In thousands of reais)



Statements of cash flows

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash flows from operating activities				
Loss before income tax and social contribution	(270,598)	(431,416)	(270,598)	(431,416)
Depreciation and amortization of property and equipment and intangible assets (Notes 9, 10, 22 and 23)	225,836	210,090	225,836	210,090
Amortization of lease (Note 3)	150,644	121,992	150,644	121,992
Provision for bonuses	23,489	19,418	23,489	19,418
Interest, charges, exchange variation, monetary variation and APV on lease liabilities	105,775	52,220	105,775	52,220
Provision for legal claims (Note 16)	22,872	25,464	22,872	25,464
Gain (loss) on disposal of property and equipment and intangible assets (Notes 9 and 10)	9,251	27,779	9,251	27,779
Provision for inventory loss (Note 21)	1,701	-	1,701	-
Provision for impairment and write-off of non-financial assets (Note 6)	19,190	-	19,190	-
Stock options cost (Notes 23 and 30)	8,284	9,824	8,284	9,824
Provision (reversal) for impairment (Notes 9 and 23)	4,861	(2,246)	4,861	(2,246)
	301,305	33,125	301,305	33,125
Changes in assets and liabilities				
Trade receivables, Net	(51,269)	(46,827)	(51,269)	(46,827)
Inventories	(18,856)	(26,571)	(18,856)	(26,571)
Taxes recoverable	(44,993)	(33,671)	(44,993)	(33,671)
Advances paid	(830)	42,420	(830)	42,420
Other receivables	(21,225)	(9,109)	(21,225)	(9,109)
Trade payables	30,301	(68,816)	30,301	(68,816)
Payroll and social charges	(2,988)	(29,908)	(2,988)	(29,908)
Corporate payables	6,298	(7,936)	6,298	(7,936)
Taxes payable	(1,927)	4,586	(1,927)	4,586
Deferred revenue, net	(6,942)	(446)	(6,942)	(446)
Payment of legal claims (Note 16)	(20,613)	(18,576)	(20,613)	(18,576)
Other payables	31	16,008	32	15,972
Payment of interest on borrowings	(49,719)	(26,536)	(49,719)	(26,536)
Net cash from (used in) operating activities	118,573	(172,257)	118,574	(172,293)
Cash flows from investing activities				
Purchases of property and equipment (Note 9)	(238,840)	(237,641)	(238,840)	(237,641)
Purchases of intangible assets (Note 10)	(31,391)	(42,237)	(31,391)	(42,237)
Investment in marketable securities	(510,389)	(1,130,823)	(510,390)	(1,130,787)
Redemption of marketable securities	787,161	820,835	787,161	820,835
Net cash from (used in) investing activities	6,541	(589,866)	6,540	(589,830)
Cash flows from financing activities				
Paid-in capital	-	510,300	-	510,300
Interest on capital paid	-	(10,054)	-	(10,054)
Share issue costs	(29)	(22,970)	(29)	(22,970)
Loans and financings raised	-	420,000	-	420,000
Borrowing costs	-	(1,153)	-	(1,153)
Payment of loans and financings (principal)	(41,346)	(123,235)	(41,346)	(123,235)
Payment of lease liabilities (Note 3)	(191,819)	(116,372)	(191,819)	(116,372)
Net cash from (used in) financing activities	(233,194)	656,516	(233,194)	656,516
Net decrease in cash and cash equivalents	(108,080)	(105,607)	(108,080)	(105,607)
Cash and cash equivalents:				
Cash and cash equivalents at the end of the year (Note 4)	111,589	219,669	111,590	219,670
Cash and cash equivalents at the beginning of the year (Note 4)	219,669	325,276	219,670	325,277
Net decrease in cash and cash equivalents	(108,080)	(105,607)	(108,080)	(105,607)

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2021 and 2020

(In thousands of reais)

**Statements of value added**

	Parent company		Consolidated	
	2021	2020	2021	2020
Revenues	3,017,874	2,491,280	3,017,874	2,491,280
Gross sales of goods and services	3,008,347	2,462,425	3,008,347	2,462,425
Discounts and cancellations	(4,260)	(646)	(4,260)	(646)
Other revenues	13,787	29,501	13,787	29,501
Inputs purchased from third parties	(1,880,853)	(1,675,198)	(1,881,072)	(1,675,453)
Cost of sales and services	(1,034,605)	(913,957)	(1,034,605)	(913,957)
Materials, electric power, outside services and other expenses	(831,357)	(734,764)	(831,357)	(734,764)
Impairment of assets	(14,112)	(25,533)	(14,112)	(25,533)
Other costs	(779)	(944)	(998)	(1,199)
Gross value added	1,137,021	816,082	1,136,802	815,827
Retentions	(376,480)	(332,082)	(376,480)	(332,082)
Depreciation and amortization	(376,480)	(332,082)	(376,480)	(332,082)
Wealth created by the Company	760,541	484,000	760,322	483,745
Wealth received in transfer	44,821	71,289	45,040	71,544
Financial income	44,821	71,289	45,040	71,544
Total wealth for distribution	805,362	555,289	805,362	555,289
Wealth distributed	805,362	555,289	805,362	555,289
Personnel expenses	525,638	514,929	525,638	514,929
Salaries and wages and benefits	492,607	489,262	492,607	489,262
Unemployment Compensation Fund (FGTS)	33,031	25,667	33,031	25,667
Taxes, fees and contributions	345,123	311,708	345,123	311,708
Federal	256,093	224,017	256,093	224,017
State	74,923	71,937	74,923	71,937
Municipal	14,107	15,754	14,107	15,754
Lenders and lessors	208,442	174,259	208,442	174,259
Financial cost	140,811	114,133	140,811	114,133
Rentals	67,631	60,126	67,631	60,126
Lenders and lessors	(273,841)	(445,607)	(273,841)	(445,607)
Loss for the year	(273,841)	(445,607)	(273,841)	(445,607)

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2021 and 2020

(In thousands of reais)



1. Operations

BK Brasil Operação e Assessoria a Restaurantes S.A. (“BKB ” or “Company”) is a publicly-held corporation established in Brazil, with its head office at Alameda Tocantins, 350 - Alphaville - Barueri - SP, engaged in: (i) the development and the operation of “Burger King” and “Popeyes” restaurants in Brazil; (ii) provision of advisory and support services to “Burger King” restaurants in Brazil; (iii) sale, import and export of products related to the aforementioned activities; and (iv) holding of equity interests in other companies that develop the activities above in Brazil, as partner or shareholder.

a) Burger King Operation

The right to operate the “Burger King” restaurants was obtained through a “Master Franchise” agreement entered into with Burger King Corporation (“BKC”) on July 9, 2011. The restaurant operation rights have a term of twenty years, renewable for additional same twenty years, if the parties intend to (Note 17).

The Company obtained from Restaurant Brands International (RBI), owner of the Burger King brand, a franchise for 20 years counted from each store’s opening date. In the opening of each store, an amount ranging from US\$ 5 thousand to US\$ 45 thousand is paid in a single installment as a Franchise Fee, depending on the store model. Royalties of 5% are also paid on the net monthly revenue of stores, in addition to the obligation also at 5% on net sales with Marketing Fund.

As at December 31, 2021 and 2020, the Company had 684 and 659 company-owned stores, of which:

	2021	2020
State of Alagoas	4	4
State of Bahia	14	13
State of Ceará	14	14
Federal District	10	10
State of Espírito Santo	13	12
State of Goiás	22	22
State of Maranhão	5	5
State of Mato Grosso	5	5
State of Mato Grosso do Sul	4	4
State of Minas Gerais	51	48
State of Pará	7	7
State of Paraíba	5	5
State of Pernambuco	17	15
State of Piauí	2	2
State of Paraná	43	40
State of Rio de Janeiro	99	96
State of Rio Grande do Norte	3	3
State of Rio Grande do Sul	39	38
State of Santa Catarina	4	4
State of Sergipe	6	6
State of São Paulo	317	306
Total Stores	684	659

1. Operations--Continued

b) Popeyes Operation

The right to operate restaurants with the "Popeyes" brand was obtained through a "Master Franchise" agreement entered into with Popeyes Louisiana Kitchen (PLK) on March 20, 2018. By signing these agreements, BKB acquired the exclusive right of developing and operating restaurants in Brazil through its own operation or franchisees under the POPEYES® brand for a twenty-year period, which may be renewed for an equal term, in the event the parties are interested.

The Company obtained from RBI, owner of the Popeyes brand, a franchise for 20 years counted from each store's opening date. In the opening of each store, the amount of US\$ 40 thousand is paid in a single installment as a Franchise Fee. Obligations with Royalties in the Marketing Fund have levels similar to those applicable to the BURGER KING® brand in Brazil.

As at December 31, 2021, the Company had 52 company-owned stores (44 company-owned stores as at December 31, 2020), of which 45 are located in the State of São Paulo (44 stores as at December 31, 2020) and 7 are located in the State of Rio de Janeiro.

2. Accounting policies

The Company's financial statements were approved by the Board of Directors on February 24, 2022.

The Company's individual and consolidated financial statements ("Financial Statements") have been prepared in accordance with the accounting practices adopted in Brazil ("BR GAAP") and also the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), used in the preparation of these financial statements as of December 31, 2021 and applicable to the comparative information as of December 31, 2020.

In conformity with OCPC 07/CTG 07 - Disclosure of General Purpose Financial Statements, all material information on the financial statements, and only such information, is being evidenced and corresponds to the information used by Management in managing the Company.

The accounting practices adopted in Brazil comprise those set out in the Brazilian Corporate Law and the pronouncements, guidance and interpretations issued by the Brazilian Accounting Pronouncements Committee ("CPC") and approved by the Securities and Exchange Commission of Brazil ("CVM") and the Federal Accounting Board ("CFC").

The Company has adopted all standards, revisions of standards and interpretations issued by IASB and CPC, that were effective at December 31, 2021.

The financial statements were prepared in the ordinary course of business. Management reviews periodically the Company's ability to continue as a going concern.

2. Accounting policies--Continued

The financial statements have been prepared on a historical cost basis, except for certain assets and liabilities as those arising from financial instruments, which are measured at fair value (Note 29).

CPC 22/NBC TG 22 (R2)/IFRS 8 - Operating Segments requires operating segments to be identified based on internal reports, regularly reviewed by key decision makers for the purpose of allocating resources to segments and assess their performance. The Company develops its activities and bases its business decisions considering your one operating segment, related to the sale of food and beverages in restaurants operated by the Company.

The Company's operating results are subject to seasonality that affect the retail industry. Sales usually vary in periods of school holidays (January, July and December); and mainly for stores located at malls, during weeks prior to Mother's day (May), Valentine's day (June), Father's day (August), Children's day and Halloween (October), Black Friday (November) and Christmas (December). Therefore, each quarter has its seasonal effect on the Company's results.

COVID-19 pandemic effects

CIRCULAR-OFÍCIO/CVM/SNC/SEP/No. 01/2022 issued by CVM on February 1, 2022 did not repeat the guidance from prior years, although it reinforced the validity of certain documents previously issued, therefore CIRCULAR-OFÍCIO/CVM/SNC/SEP/No. 02/2020 issued by CVM on March 10, 2020 remains valid and discusses the potential effects that the pandemic caused by the New Coronavirus (COVID-19) may have on the Companies business and their effects on the financial statements. It also mentions the importance of the Companies and their Independent Auditors to thoroughly assess the potential impacts of COVID-19 on their business and the risks and uncertainties to which they are exposed.

Management has closely monitored the evolution of the impacts caused globally by the pandemic, as well as the measures adopted by the governments so far to support the maintenance of jobs and recovery of the economy. However, there are still uncertainties regarding the new measures, which makes it difficult to predict new direct and/or indirect impacts that could be caused by the pandemic. In addition, the effects mentioned herein may distort the Company's historical seasonality and impair the comparability of the information.

Faced with the worsening of the pandemic in the country during the first quarter of 2021, States decided to go back to more restrictive control phases to combat the evolution of COVID-19. This type of decision had a direct impact on the Company's operations, as it caused several restaurants to be closed, or with sales limited to reduced opening hours. During the second quarter and with the progress of the vaccination curve, the measures of the restrictive phase were relaxed and the restaurants could reopen and extend their opening hours. The favorable evolution in combating the pandemic led restaurants to resume full time operations in the second half of 2021.

2. Accounting policies--Continued

COVID-19 pandemic effects--Continued

Considering the current information and the data available for this report regarding the impacts caused by the continuation of the COVID-19 pandemic on its activities, the Company recorded during this year the loss of perishable items that are not expected to be used due to their expiry dates, as well as the renegotiation of the occupancy cost amounts (Note 3). Notwithstanding, the Company has periodically monitored its projections of results and cash generation with the purpose also of complying with the existing covenants (including of financial leverage (Net Debt/Adjusted Ebitda) and, for the year ended December 31, 2021, the Company renegotiated with its creditors and obtained a waiver for the measurement (Note 11.3).

Based on the information currently available, we have not identified any material adverse effects on the Company's operations which cast doubt on its ability to continue as a going concern and which may significantly impact the accounting estimates applied in the preparation of the individual and consolidated financial statements.

Due to the crisis generated by COVID-19 and its impacts on the Company's business, BKB continues to monitor closely any information on this matter and assessing the need to disclose a new material fact and/or change the projections and estimates related to the risks reported in its Reference Form, in order to clarify to its shareholders and the market the changes in valuation that bring material effects.

Estimates

CIRCULAR-OFÍCIO/CVM/SNC/SEP/No. 01/2022 brings sensitive matters for the year 2021, which require professional judgment and recommends the resolution of problems, the goals to be achieved, consideration and assessment of alternatives and choices available in order to reach a conclusion. Notwithstanding, it discusses the validity of the guidance from CVM's technical areas included in circular letters related to prior years and the Company believes that what is due and required related to these matters is reflected in this document.

The Company's financial statements have been prepared in accordance with several measurement bases used in the accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, taking into consideration Management's judgment to determine the appropriate amount to be recognized in the financial statements.

Significant items subject to these estimates and assumptions include the selection of the useful lives of property and equipment items and their recoverability in operations, the assessment of recoverability of intangible assets, the measurement of financial assets at fair value and under the present value adjustment method, the analysis of credit risk to determine the provision for impairment of receivables, as well as the analysis of other risks to determine other provisions, including for legal claims.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions periodically.

2. Accounting policies--Continued

2.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of BKB and the private equity fund XPA-BK (Note 5).

The investment fund is fully consolidated since the date of its establishment. The financial statements of the investment fund have been prepared for the same year of the Company, using consistent accounting policies. All intragroup balances, revenues and expenses as well as unrealized gains and losses arising from intragroup transactions are fully eliminated.

2.2. Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. When the Company acquires a business, it determines the fair value of the assets acquired and liabilities assumed in order to allocate them according to the contractual terms, economic circumstances and applicable conditions on the acquisition date, which includes the segregation, by the acquiree, of embedded derivatives existing in host contracts in the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognized in the statement of profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration considered as an asset or a liability shall be recognized in accordance with CPC 48/NBC TG 48/IFRS 9 - Financial Instruments in the statement of profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it is not re-measured, and subsequent settlement is accounted for within equity.

Initially goodwill is measured as the excess of the consideration transferred in relation to the net assets acquired. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized as a gain in the statement of profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree being assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation shall be included in the transaction cost when calculating the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed of operation and the portion of the cash-generating unit retained.

2. Accounting policies--Continued

2.3. Functional and presentation currency

The Company's functional and presentation currency is the Real.

2.4. Transactions in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency (Real) at the spot rates of exchange rate at the reporting date. Gains and losses resulting from exchange differences arising on the translation of these assets and liabilities at the end of the reporting period are recognized as financial income or expenses in the statement of profit or loss.

2.5. Revenue recognition

Revenue is recognized to the extent it is probable that economic benefits will be transferred to the Company and when it can be reliably measured. Revenue is measured at the fair value of the consideration received, less any discounts, rebates and taxes or charges on sales.

The Company assesses revenue transactions in accordance with specific criteria to determine whether it is operating as agent or principal, and, in the end, concluded that it is operating as principal in all its revenue arrangements. The specific criteria below shall also be satisfied before the revenue recognition:

Sale of products

The revenue from sale of products is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, which generally occurs at the product's delivery.

Rendering of services

The revenue from management and advisory services rendered to franchisees is only recognized when the services are rendered and when the rewards are transferred to the franchisees, by applying percentages on the monthly revenues.

Investment income

Investment income and cash equivalents are calculated based on the effective interest rate applied to the principal amount of the investment. Interest income is included in line item "Financial income", in the statement of profit or loss.

2. Accounting policies--Continued

2.6. Taxes

Income tax and social contribution - current

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recoverable from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxes

Deferred taxes are provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax losses).

Deferred tax assets are recognized for all deductible temporary differences, including the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:

- (i) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period (as of December 31, 2021 and 2020 the rate used was 34%).

2. Accounting policies--Continued

2.6. Taxes--Continued

Deferred taxes--Continued

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Indirect taxes (PIS, COFINS, ICMS)

Revenues, expenses and assets are recognized net of sales taxes, except:

- (i) When sales taxes incurred on purchase of goods and services are not recoverable from taxation authorities, in which case the sales tax is recognized as part of the acquisition cost of the asset or expense item, as appropriate;
- (ii) When the amounts receivable and payable are presented together with the amount of the sales tax; and
- (iii) When the net amount of the sales taxes, recoverable or payable, is included as a component of the amounts receivable or payable in the statement of financial position.

2.7. Financial instruments - Initial recognition and subsequent measurement

The Company's accounting policies are described below, as well as their impacts on the financial statements:

Classification of financial assets

The CPC 48/ NBC TG 48 / IFRS 9 have a new classification and measurement approach for financial assets that contains three main classification categories: measured at amortized cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL"). The standard eliminates existing CPC38 (IAS 39) categories, held to maturity, held for trading, loans and receivables, and available for sale.

This change did not generate any retrospective impact on the Company's financial assets measurement. Prospectively for the equity instruments measured by FVOCI, when they are settled or transferred, the accumulated profit or loss in the other comprehensive income no longer affect the result, being immediately reclassified to retained earnings (accumulated losses), in equity.

2. Accounting policies--Continued

2.7. Financial instruments - Initial recognition and subsequent measurement--Continued

Hedge accounting

The Company opted to apply the new requirements of CPC 48/NBC TG 48/IFRS 9 in relation to hedge accounting. These requirements demand that hedge accounting relationships are aligned with the Company's risk management, objectives and strategies, make the effectiveness assessment more qualitative and prospective, and prohibit voluntary discontinuation of the hedge accounting.

The Company has instruments designated for cash flow hedge, and recognizes the changes in fair value related to the hedge (mark to market) in other comprehensive income. When the instrument is liquidated, these hedge costs are reclassified to income.

Impairment of financial assets

The CPC 48/NBC TG 48/IFRS 9 replaces the "losses incurred" model of CPC 38 (IAS 39) with a prospective "expected credit loss" model. This new model applies to financial assets measured at amortized cost or FVOCI, with the exception of investments in equity instruments and contractual assets.

For cash investments, cash and cash equivalents, the Company did not have significant effects in credit losses, due to the high ratings of its counterparties.

The receivable database is submitted to impairment test in accordance with the standard and in conformity with the internal policy, which is based on the probability of realization, actual loss and predicts the provision for expected credit losses. This analysis for the year ended December 31, 2021 resulted in the identification of outstanding amounts in trade receivables, which were recorded in the Company's profit or loss due to their low expectation of collection (Note 6).

2.8. Derivative financial instruments

As of December 31, 2021 and 2020, the Company used derivative financial instruments, such as interest rate swaps and Non-Deliverable Forward (NDF), to hedge against the risk of fluctuations in exchange rates.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses resulting from changes in the fair value of derivatives during the year are recognized directly in the statement of profit or loss, in line item financial income or expenses.

2. Accounting policies--Continued

2.9. Property and equipment

Items of property and equipment are stated at cost of acquisition or construction, less accumulated depreciation and/or accumulated impairment losses, when applicable. When significant parts of a property and equipment item are replaced, the Company recognizes these parts as individual assets with specific useful lives and depreciation. All other maintenance and repairs costs are expensed as incurred. The Company capitalizes borrowing costs directly related to the construction of assets eligible for use.

In addition, the Company capitalizes the internal costs related to professionals fully dedicated to restaurant construction projects, which are allocated to each new restaurant opened. These costs are capitalized from the moment the restaurant construction project is probable, considering the identification of the location and its feasibility.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year when the asset is derecognized.

The asset's residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted prospectively, if appropriate. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets, as mentioned in Note 9.

2.10. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in these assets are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Brands, real property rights, licenses and lease assets

Use of the brands Burger King (*Franchise fee*) and Popeyes (*Franchise fee*)

Brands comprise the rights to use the brands paid to Burger King Corporation and to Popeyes Louisiana Kitchen, Inc. for the opening of each store and each brand. The amortization period is twenty years from the restaurant opening date.

2. Accounting policies--Continued

2.10. Intangible assets--Continued

Brands, real property rights, licenses and lease assets--Continued

Right-of-use assets and lease liabilities

IFRS 16/CPC 06 (R2)/NBC TG 06 (R3) uses the model to account for leases in the balance sheet of lessee. The lessee recognizes a right-of-use asset that represents its right to use the leased asset and a lease liability that represents its obligation to make lease payments.

The Company recognizes an asset ("right of use asset") (Note 10) for its lease agreements related to lease of administrative and operational properties (stores). The lease agreements have an average term of 10 years and the Company has a policy of renegotiating if applicable at least one year before the expiration of the lease.

Real property rights (Commercial rights)

Real property rights refer to the locations where the point of sales or stores are established and upfront payments are paid to the lessors of such spaces. Amortization is calculated using the straight-line method in accordance with the term of the lease agreement signed between the lessee, the Company, and the lessor, owner of the property.

Software licenses (Software use rights)

Software refer to the licenses acquired by the Company for the use of the software. Amortization is calculated on a straight-line basis over an average period of five years and maintenance costs are recognized directly in profit or loss.

2.11. Inventories

Inventories are stated at the lower of cost or net realizable value.

2. Accounting policies--Continued

2.12. Impairment of non-financial assets

The recoverable amount of an asset or a certain cash-generating unit is the higher of an asset's fair value less costs to sell or its value in use.

In estimating the value in use of the asset, estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. The net disposal proceeds are determined, whenever possible, based on a firm sale agreement in an arm's length transaction, adjusted by expenses attributable to the sale of the asset or, when there is no firm sale contract, based on the market price of an active market, or in the price of the most recent transaction with similar assets.

The following criteria are also applied to assess the impairment of specific assets:

Goodwill

The impairment testing of goodwill is made annually (at December 31) or when circumstances indicate an impairment may exist.

Intangible assets

The amortization period and method for an intangible asset with finite useful life are reviewed at the end of each reporting period, whenever there is indication of impairment, changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are recognized through changes in the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets (Note 10). Intangible assets with indefinite useful lives are not subject to amortization, but are tested annually for impairment, individually or at the level of the cash-generating unit.

The assessment of indefinite useful life is reviewed annually to determine if such assessment continues to be justifiable. Otherwise, the change in useful life from indefinite to finite is made on a prospective basis. As of December 31, 2021 and 2020, there were decreases in indicators of impairment, but there was no change in the useful life from indefinite to finite and after the analyses, projections and judgments made by Management, no need for provision for impairment was identified.

2. Accounting policies--Continued

2.13. Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments and not for investment or other purposes. The Company considers as cash equivalents a financial investment that can be immediately converted into a known amount of cash and subject to an insignificant risk of change in value.

Therefore, an investment usually qualifies as a cash equivalent only when it has a short maturity of, for example, three months or less from the date of contracting and/or has a repurchase commitment.

2.14. Marketable securities and Restricted marketable securities

Marketable securities are measured based on their yield and are recognized in the statement of profit or loss when incurred, not presenting material differences in relation to their fair values. Therefore, there was no fair value adjustment in equity account as of December 31, 2021 and 2020.

The Company's share in the exclusive investment fund was consolidated based on the segregation of investments comprising the fund's equity (Notes 2.1 and 5).

2.15. Deferred revenue, net

The Company has three types of recognition of deferred revenue, net in its statement of financial position, as follows:

(i) transactions with suppliers, which pay for the exclusive sales of products, brand exposure in stores and purchase volume, which are recognized as deferred revenue, in current and non-current liabilities, and are recognized in the statement of profit or loss in line item "Other operating income (expenses)" over the period of the agreement with the supplier.

(ii) Revenue from franchise fees: in accordance with CPC 47/ NBC TG 47/ IFRS 15 - Revenue from Contracts with Customers, the Company recognizes these benefits in accordance with the term defined for the franchisee holding the brand, usually 20 years; and

(iii) Loyalty Program - BK Club: aims to retain the Company's customers by granting points for each purchase made, so that customers may accumulate points and exchange for rewards available in the program. The obligation arising from the issue of points is measured based on the customer's compliance with the program and the consumption of branded products and is only fulfilled if the customer actually redeems the award in the store or after it has expired (6 months from the date of issue). Only after the performance obligation is exceeded the revenue is recognized in the statement of profit or loss for the period. Accordingly, revenue is presented net of the respective direct variable costs, related to the provision of rewards to the participant, in accordance with CPC 47 / NBC TG 47 / IFRS15 - Revenue from Contracts with Customers.

2. Accounting policies--Continued

2.16. Agreement with suppliers

The Company has financial liabilities with suppliers through financial institutions, whose maturities were extended, or suppliers received in advance during the year ended December 31, 2021. Due to the characteristic of commercial negotiation of terms between suppliers and the Company, these financial liabilities were included in the amount advance programs using the Company's credit lines with institutions (Note 12).

2.17. Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

Provision for tax, civil and labor risks

The Company is a party to lawsuits and administrative proceedings. Provisions are recognized for all contingencies related to lawsuits for which it is probable that an outflow of resources will be made to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the likelihood of loss includes the assessment of available evidence, hierarchy of laws, available case laws, recent court decisions and their relevance in the legal system, as well as the assessment made by outside attorneys. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statute of limitations, completion of tax audits or additional exposures identified based on new matters or court decisions.

2.18. Statements of cash flows and value added

The statements of cash flows were prepared under the indirect method and are presented in accordance with CPC 03 (R2)/NBC TG 03 (R3)/IAS 7 - Statement of Cash Flows. The statement of value added was prepared in accordance with CPC 09/NBC TG 09 - Statement of Value Added and is presented as supplementary information for IFRS purposes.

2. Accounting policies--Continued

2.19. Earnings (loss) per share

The Company calculates earnings (loss) per share using the weighted average number of total shares corresponding to the result for the period, as set forth in technical pronouncement CPC 41/NBC TG 41 (R2)/IAS 33 - Earnings per Share.

The comparative figures of basic and diluted earnings/loss per share are based on the weighted average number of shares outstanding in the year, and all shares with potential dilutive effect outstanding for each presented exercise, respectively.

Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share, except for the potential shares outstanding that are added, in order to include the number of additional shares that would be outstanding if the potential dilutive shares attributed to stock options and redeemable shares held by noncontrolling interests had been issued during the respective years, using the weighted average share price.

2.20. Significant accounting estimates and assumptions

The main assumptions related to sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the end of the reporting period, involving a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next fiscal year, are discussed below:

Impairment of non-financial assets

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on available information on sales of similar assets or market prices less incremental costs to dispose of the asset. The value in use calculation is based on the discounted cash flow model. Cash flows derive from the budget for the next five years and do not include reorganization activities to which the Company has not yet committed and significant future investments that will improve the asset base of the cash-generating unit subject to testing. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as to expected future cash receipts and the growth rate used for extrapolation purposes.

2. Accounting policies--Continued

2.20. Significant accounting estimates and assumptions--Continued

Taxes

Deferred tax assets are recognized for the carry-forward of unused tax losses to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses can be utilized. Significant judgment by Management is required to determine the amount of the deferred tax asset that may be recognized, based on the probable period and level of future taxable profits, together with future tax planning strategies.

The utilization of accumulated tax losses is restricted to the limit of 30% of the taxable profit generated in a certain fiscal year, however the unused tax losses do not expire.

Fair value of financial instruments

When the fair value of financial assets and liabilities presented in the balance sheet cannot be obtained from active markets, it is determined by using valuation techniques, including the discounted cash flow method. Data for these methods are based on market data, when possible; however, when this is not feasible, a certain level of judgment is required to establish the fair value.

Judgment includes considerations on the data used, such as liquidity risk, credit risk and volatility. Changes in assumptions on these factors could affect the reported fair value of the financial instruments.

2.21. Significant accounting estimates and assumptions

Provision for tax, civil and labor risks - claims

The Company recognizes a provision for tax, civil and labor claims. The assessment of the likelihood of loss includes the assessment of available evidence, hierarchy of laws, available case laws, recent court decisions and their relevance in the legal system, as well as the assessment made by outside attorneys. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statute of limitations, completion of tax audits or additional exposures identified based on new matters or court decisions.

2.22. Employee benefits

The Company grants benefits to its employees, such as meal vouchers for Management employees, meals for restaurant employees, medical and dental care, transportation voucher and variable compensation.

2. Accounting policies--Continued

2.22. Employee benefits--Continued

Profit sharing

The profit sharing program is approved annually and is based on individual goals and goals of the Company as a whole. Due to the COVID-19 pandemic, during the year the market in general reviewed these goals, adjusting them to the new market circumstances. The Company also established new goals and various actions that were implemented. In 2021, these goals were achieved by the Company and its employees, therefore the profit sharing program that was accrued for the year 2021 will be paid in the subsequent year. The amount related to the provision for profit sharing is recorded in line item Payroll and social charges, in the statement of financial position.

2.23. Uncertainty over Income Tax Treatments - ICPC 22/ITG 22/IFRIC 23

The interpretation on Uncertainty over Income Tax Treatments - ICPC 22/ITG 22/IFRIC 23, addresses the accounting of taxes on income in cases in which the tax treatments involve an uncertainty that affects the application of IAS 12 (CPC 32/NBC TG 32 (R4) - Income Taxes) and is not applicable to taxes outside the scope of IAS 12, nor specifically includes requirements regarding interest and fines associated to uncertain tax treatments.

The Company assessed the uncertain tax treatments separately and the assumptions regarding the review of tax treatments by tax authorities on the determination of taxable income (tax loss), tax bases, unused tax losses, untimely tax credits and tax rates.

The Company determined, based on its tax compliance study, that it is probable that its tax treatments (including those applicable to subsidiaries) will be accepted by tax authorities. This interpretation did not generate impact on the Company's individual and consolidated financial statements.

2.24 - New standards, amendments to and interpretations of standards effective in 2021 and new standards, amendments to and interpretations of standards not yet effective

2.24.1. New standards, amendments to and interpretations of accounting standards effective in 2021

Amendments to CPC 06 (R2): Covid-19-Related Rent Concessions

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic as a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. Accordingly, the accounting is in line with any change in the lease payment resulting from the benefit granted in the lease agreement that is related to the Covid-19.

This amendment became effective for the year beginning on January 1, 2021, intended to have the deadline for use until 06/30/2021, but the CPC extended the period for using the practical file to 06/30/2022, therefore the Company elected to use the practical expedient of not remeasuring the operating lease agreements since the renegotiations made were in respect of benefits considered related to COVID-19, recognizing such benefits in profit or loss for the year (Notes 3 and 25).

2. Accounting policies--Continued

2.24.1. New standards, amendments to and interpretations of accounting standards effective in 2021--Continued

Amendments to CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48: Interest Rate Benchmark Reform

The amendments provide temporary reliefs which address the effects of replacing an interest rate benchmark rate, thus allowing the replacement of the effective interest rate of a financial asset or liability with a new rate that is economically equivalent.

The applicability of the amendments were assessed by the Company's Management and there are no impacts on these financial statements.

2.24.2 New standards, amendments to and interpretations of standards not yet effective

The IASB works with the issuance of new standards and revision of existing standards, which will become effective on January 1, 2023, with early application permitted, namely:

- IAS 1 (standard equivalent to CPC 26 (R1)): the amendments are useful when replacing the requirement for disclosure of significant accounting policies and adding guidance on how entities should apply the materiality concept to make decisions about the disclosure of accounting policies;
- IAS 8 (standard equivalent to CPC 23): the amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. They also clarify how entities use the measurement techniques and inputs to develop accounting estimates;
- Amendment to the standard equivalent to CPC 26: to specify the requirements for classifying liabilities as current or non-current, which are: (i) what is meant by a right to defer settlement; (ii) that a right to defer must exist at the end of the reporting period; (iii) that classification is unaffected by the likelihood that an entity will exercise its deferral right; (iv) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and
- Issuance of a pronouncement related to IFRS 17, which replaces IFRS 4: The objective is to appropriately reflect the impact of insurance contracts on the financial position over time. The standard establishes the principles related to recognition, measurement, presentation and disclosure of contracts.

In assessing the new pronouncements and standards not yet effective, the Company conducted the appropriate studies and believes that there will not be significant effects on its operations or financial statements.

3. Leased assets - Effects of the adoption of CPC 06 (R2)/NBC TG 06 (R3)/IFRS 16

The lessee recognizes a right-of-use asset that represents its right to use the leased asset and a lease liability that represents its obligation to make lease payments.

The Company recognized an asset (“right of use asset”) (Note 10) for its lease agreements related to lease of administrative and operational properties (stores). What the standard previously treated as rental expense is now recorded as amortization of “rights of use” and interest on rental obligations, disclosed as “Lease Liabilities”. Consequently, EBITDA and operating profit were affected.

The lease agreements have an average term of 10 years and the Company made use of hindsight, such as when determining the lease term, whether the contract contains extension or termination options, among others. The Company has a policy of renegotiating if applicable at least one year before the expiration of the lease agreement.

Actual flows excluding inflation estimated for the next years were estimated gross of taxes and right-of-use assets were measured at the value equal to the lease liability at present value. In accordance with the aforementioned accounting standard, in measuring and remeasuring its lease liabilities and right of use, it used the discounted cash flow technique without considering projected future inflation in the flows to be discounted.

Right-of-use assets	Parent company and Consolidated	
	2021	2020
Opening balance (Note 10)	732,308	660,986
Additions and updates of leases recognized in the year (Note 10 (i) and (ii))	265,980	205,224
Amortization of right of use (rental) (Note 10) (ii)	(150,644)	(121,992)
Taxes levied on amortization of leases (Note 10) (ii)	(11,237)	(11,910)
Closing balance (Note 10)	836,407	732,308
Lease liabilities	Parent company and Consolidated	
	2021	2020
Opening balance	791,331	693,209
Additions and updates of leases recognized in the year (i) and (ii)	392,809	298,930
Payment of lease liabilities (Notes 22 e 23) (ii)	(191,819)	(116,372)
Discounts obtained on lease payments (Note 25) (ii) and (iv)	(15,943)	(47,033)
Taxes levied on lease payments (ii)	(16,580)	(16,834)
Additions and updates of leases recognized in the year (i) and (ii)	(126,829)	(93,706)
Lease APV expense incurred (Note 24) (ii)	80,156	68,213
Taxes levied on APV of leases (ii)	5,342	4,924
Closing balance (Note 27)	918,467	791,331
TOTAL	918,467	791,331
Current	160,105	126,941
Non-current	758,362	664,390

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Years ended December 31, 2021 and 2020

(In thousands of reais)



3. Leased assets - Effects of the adoption of CPC 06 (R2)/NBC TG 06 (R3)/IFRS 16-- Continued

The amounts of lease liabilities have the following maturities at December 31, 2021 and 2020:

Expiration period	Parent company and Consolidated					
	2021			2020		
	Lease liabilities	(-) Adjustment to present value of lease liabilities	Total	Lease liabilities	(-) Adjustment to present value of lease liabilities	Total
Up to 1 year	246,128	(86,023)	160,105	200,742	(73,801)	126,941
Over 1 year and less than 3 years	404,988	(127,588)	277,400	347,568	(111,005)	236,563
Over 3 years and less than 5 years	311,648	(74,777)	236,871	266,658	(67,147)	199,511
Over 5 years	288,718	(44,627)	244,091	268,046	(39,730)	228,316
Total	1,251,482	(333,015)	918,467	1,083,014	(291,683)	791,331

Income from lease	Parent company and Consolidated	
	2021	2020
Expenses on stores - variable rental (iii)	(12,161)	(15,862)
Amortization of right of use (rental) (Notes 22 and 23) (ii)	(150,644)	(121,992)
Financial expenses – Accrued interest (APV) (Note 24) (ii)	(80,156)	(68,213)
Discounts obtained on lease payments COVID-19 (Note 25) (ii) and (iv)	15,943	47,053
Closing balance	(227,018)	(159,034)

- (i) The addition of new agreements impact specifically the statement of financial position accounts Right-of-use assets, Lease liabilities and APV of lease liabilities. The adjustments of financial indexes for Lease Liabilities are recorded according to each agreement, causing impacts in line items APV, Lease liabilities and Right-of-use assets. These adjustments, when recorded, do not impact the profit or loss for the year, but only the amounts in the statement of financial position.
- (ii) In compliance with CVM Circular Letter 02/2019, the balances in the statement of financial position accounts are gross of taxes (Pis and Cofins) while the balances in the statement of profit or loss accounts are net of taxes (Pis and Cofins).
- (iii) The effects of the adoption of CPC 06 (R2) / NBC TG 06 (R3) / IFRS16 positively impacted the line items of occupancy expenses by R\$191,819 as at December 31, 2021 (R\$116,372 as at December 31, 2020), net of Pis and Cofins, as the operating lease (fixed rent) is no longer recognized under this line item (Notes 22 and 23).
- (iv) Based on the Revision of Technical Pronouncements No.16 issued by CVM on July 7, 2020 and Revision of Technical Pronouncements No. 18 issued by CVM on July 21, 2021, which contained amendments to CPC 06 (R2) referring to Covid-19-Related Rent Concession, the Company elected to use the practical expedient of not remeasuring the operating lease agreements since the renegotiations made were in respect of benefits considered related to COVID-19, recognizing such benefits in profit or loss for the year (Note 25).

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4. Cash and cash equivalents

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash	16,613	24,564	16,613	24,564
Banks	5,206	2,965	5,207	2,966
Financial investments	89,770	192,140	89,770	192,140
Total cash and cash equivalents	111,589	219,669	111,590	219,670

Type of investment	Annual yield	Parent company and Consolidated	
		2021	2020
CDB	107% of CDI	65,511	110,690
Repurchase agreement	55% to 80% of CDI	-	50,015
Automatic investment	10% to 60% of CDI	24,259	31,435
Total financial investments		89,770	192,140

These investments are highly liquid and the Company may redeem them at any time without significant change in value. These investments are in compliance with the Company's internal policy, observing the limits among financial institutions, ratings and liquidity criteria.

5. Marketable securities

Type of investment	Annual yield	Parent company		Consolidated	
		2021	2020	2021	2020
Exclusive investment fund - XPA BK (i)	100% to 126% of CDI or IPCA	127,698	122,495	-	-
Federal Treasury Bills (LFT)	100% fixed rate	-	-	45,484	44,244
Investment Funds	IPCA	-	-	5,893	41,710
CDB	98% to 104% of CDI	179,745	453,323	179,745	453,323
National Treasury Bills (LTN)	100% to 126% of CDI or IPCA	-	-	13,923	-
Investments in debentures	100% to 116% of CDI	-	-	12,750	7,449
Financial bills (LF)	100% to 116% of CDI or IPCA	-	-	49,674	29,117
Repurchase agreements	80% to 85% of CDI	31,749	25,306	31,749	25,306
Total marketable securities		339,192	601,124	339,218	601,149
Current		339,192	601,124	339,218	601,149
Marketable securities		339,192	575,818	339,218	575,843
Restricted marketable securities (ii)		-	25,306	-	25,306

(i) XPA BK Fundo de Investimento Multimercado Investimento no exterior – Exclusive investment fund, 100% held by the Company, created on 12/29/2017. The portfolio of this fund, by type of investment, is shown in the consolidated balances.

(ii) Repurchase agreements given as collateral for loans and financings contracted in 2020 whose contractual liabilities have already been met..

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6. Trade receivables, net

	Parent company and Consolidated	
	2021	2020
Sales transactions	99,082	72,282
Sales transactions - Delivery	38,356	27,070
Service rendered with franchisees	3,975	5,536
Services rendered with related parties	66	645
Provision for expected credit losses (i)	(6,060)	(522)
Other receivables	3,848	2,177
Total trade receivables	139,267	107,188

(i) Provision for estimated losses on realization of credits (Note 22)

As mentioned in Note 11, part of the inflows of receivables with credit cards and meal vouchers is pledged as collateral of loans and financings and debentures.

Considering the current information and data regarding the potential impacts of COVID-19 pandemic on its activities to date, the Company has not identified significant risks in its trade receivables since a large part of the existing balance is from card companies, delivery platforms and its franchises.

Based on CPC 48/NBC TG 48/IFRS 9 - Financial Instruments and in accordance with the Company's internal policy, which is based on the probability of realization and actual loss and predicts the allowance for doubtful accounts for notes overdue for more than 365 days, the Company recognized in its income the amount of R\$6,060 for the year ended December 31, 2021 (R\$522 for the year 2020). The provision for expected credit losses in the years ended December 31, 2021 and 2020 and its movement are shown below:

Aging list	Parent company and Consolidated	
	2021	2020
Overdue		
From 31 to 120 days	(330)	-
From 121 to 240 days	(59)	-
From 241 to 365 days	(455)	(522)
Over 365 days	(5,216)	-
Total provision for expected credit losses	(6,060)	(522)

Movement	Parent company and Consolidated	
	2021	2020
Opening balance	(522)	-
Additions of expected losses	(19,190)	(522)
Definitive write-offs	13,652	-
Total provision for expected credit losses	(6,060)	(522)

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7. Inventories

	Parent company and Consolidated	
	2021	2020
Goods for resale	61,057	47,371
Distribution center - BKB	60,984	55,494
Gifts	11,894	14,277
Consumables	10,533	8,470
Allowance for inventory losses (Note 21) (i)	(1,701)	-
Total inventories	142,767	125,612

- (i) Provision for write-off of inputs not expected to be realized, that is, perishable products near their expiry dates and gifts whose licenses expired and are not expected to be renewed.

8. Taxes recoverable

	Parent company and Consolidated	
	2021	2020
IRPJ (Income Tax)	1,623	1,973
CSLL (Social Contribution on Profit)	899	1,086
IRRF (Withholding Income Tax)	4,588	6,609
ICMS (State VAT) (i)	82,340	48,482
Non-cumulative PIS (i) and (ii)	18,821	17,011
Non-cumulative COFINS (i) and (ii)	63,843	53,155
INSS (Social Security Contribution) (i) and (ii)	6,940	5,684
Other	288	349
Total taxes recoverable	179,342	134,349
Current	44,053	37,116
Non-current (ii)	135,289	97,233

- (i) The increase in the balance of taxes recoverable also includes the recognition of untimely tax credits of R\$ 44,289, recorded in line items of Cost of sales (Note 21) and Selling expenses (Note 22), in addition to the items mentioned below, and the Company expects to use these credits until 2026.
- (ii) CIRCULAR LETTER/CVM/SNC/SEP/01/2021 issued in January 2021 establishes that in the case of exclusion of ICMS from the calculation base of PIS and COFINS and as there is potential conflict regarding the definition of the interpretation to be given to the decision of the Superior Court of Justice (STJ), the technical areas of CVM understand that credits for which there is certainty and that do not depend on acts of third parties for the entity to control the economic benefits to be originated by it should be recognized as tax credit assets.

In May 2021, the Federal Supreme Court (STF) ended the discussion on the credit right of the companies, defining based on the motions for clarification that the exclusion of ICMS from the calculation base of PIS and COFINS is valid as from March 15, 2017, date on which the thesis of general repercussion was set in the judgement of the Extraordinary Appeal 574706.

Considering that the justices ratified that the ICMS that is not included in the calculation base of PIS/COFINS is that specified in the invoice and not the amount paid, the procedures adopted by the Company to determine the credits correspond to such decision, and therefore, are adequate for the recognition.

In September 2021, the STF decided on the unconstitutionality of IRPJ and CSLL levied on the amounts related to the Selic rate received as reimbursement of taxes overpaid. This decision did not affect the calculation of the Company's current IRPJ and CSLL since it presented Tax Loss in the year 2021. Additionally, it also did not generate an impact on deferred taxes due to the Company not recognizing deferred taxes on Tax Loss and Negative Base of CSLL (Note 26).

In the year ended December 31, 2021, the Company has R\$8,473 related to the period from January 2015 to February 2017, of which R\$6,139 refers to principal, recognized in June 2021 supported by its tax consultants, and R\$2,298 to monetary adjustment. The principal amount was recognized against Deductions from gross revenue (Note 20) and the amount related to monetary adjustment against Monetary adjustment (Note 25).

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9. Property and equipment, net

	Average annual amortization rate	Parent company and Consolidated	
		2021	2020
Facilities, improvement and projects	(i)	626,608	608,550
Machinery and equipment	6% to 15%	281,205	293,613
Furniture and fixtures	6% to 15%	46,755	47,593
Computers and hardware	20% to 25%	78,620	80,581
Other assets	-	205,269	173,421
(-) Provision for impairment	-	(12,955)	(8,094)
Total property and equipment		1,225,502	1,195,664

(i) According to the rental agreement terms, 10 years on average.

In the year ended December 31, 2021, financial charges in the amount of R\$ 20,184 were capitalized (R\$ 10,023 in the year ended December 31, 2020).

The movements in property and equipment in the years ended December 31, 2021 and 2020 were as follows:

	Parent company and Consolidated						
	Facilities, improvement and projects	Machinery and equipment	Furniture and fixtures	Computers and hardware	Other assets (i)	(-) Provision for impairment (Note 26)	Total
Cost							
Balance as at 12/31/2019	874,677	344,631	88,527	148,227	288,364	(10,340)	1,734,086
Additions	33,388	-	-	-	204,253	-	237,641
Transfers	162,943	108,194	(598)	41,877	(312,416)	-	-
Write-offs (Note 23)	(34,850)	(9,255)	(2,519)	(6,462)	(4,445)	-	(57,531)
Sales of stores	(1,322)	(1,172)	(50)	(300)	(2,335)	-	(5,179)
Impairment (Note 23)	-	-	-	-	-	2,246	2,246
Balances as at 12/31/2020	1,034,836	442,398	85,360	183,342	173,421	(8,094)	1,911,263
Additions	38,425	-	-	16	200,399	-	238,840
Transfers	91,957	35,041	8,143	31,216	(166,357)	-	-
Write-offs (Note 23)	(1,681)	(5,033)	(1,194)	(15,111)	(1,539)	-	(24,558)
Sales of assets (Note 23)	-	(286)	-	-	(655)	-	(941)
Impairment (Note 23)	-	-	-	-	-	(4,861)	(4,861)
Balance as at 12/31/2021	1,163,537	472,120	92,309	199,463	205,269	(12,955)	2,119,743
Depreciation							
Balance as at 12/31/2019	(350,174)	(108,846)	(30,977)	(80,511)	-	-	(570,508)
Additions	(100,966)	(45,096)	(8,541)	(27,208)	-	-	(181,811)
Write-offs (Note 23)	23,774	4,545	1,726	4,700	-	-	34,745
Sale of stores (Note 23)	1,080	612	25	258	-	-	1,975
Balance as at 12/31/2020	(426,286)	(148,785)	(37,767)	(102,761)	-	-	(715,599)
Additions	(110,987)	(46,237)	(8,450)	(29,216)	-	-	(194,890)
Write-offs (Note 23)	344	3,890	663	11,134	-	-	16,031
Sales of assets (Note 23)	-	217	-	-	-	-	217
Balance as at 12/31/2021	(536,929)	(190,915)	(45,554)	(120,843)	-	-	(894,241)
Total property and equipment at 12/31/2020	608,550	293,613	47,593	80,581	173,421	(8,094)	1,195,664
Total property and equipment at 12/31/2021	626,608	281,205	46,755	78,620	205,269	(12,955)	1,225,502

(i) Stores built and / or remodeled substantially that will be reallocated to the fixed assets groups according to the Company's policy R\$45,881 (R\$35,990 as at December 31, 2020), works referring to stores under construction R\$24,983 (R\$43,125 as at December 31, 2020), new equipment in stock R\$49,886 (R\$48,849 as at December 31, 2020), maintenance equipment R\$3,892 (R\$4,222 as at December 31, 2020), and system improvement projects, equipment retrofit and new technologies such as new payment methods, self-service totem, which totaled R\$80,627 (R\$41,235 as at December 31, 2020).

9. Property and equipment, net--Continued

Impairment test

The Company considers each restaurant as its smallest cash generating units (CGUs), and tested them for impairment taking into consideration the maturity period (beginning in 24 months, considering 682 restaurants of a total of 736 in 2021 and 589 of a total of 703 in 2020) and their future cash flows discounted to present value, at the rate of 11.56% (WACC), and limited to the contractual period of that store plus a renewal of the lease. Once the restaurants with indication of impairment were identified, the Company's Management assessed the perspectives of resumption of cash generation or their discontinuance.

In addition to considering the recoverable amount of its stores, when there is an indication that some other asset will not generate cash, such as obsolete equipment, the Company also recognizes a provision up to its recoverable amount.

The Company accrued the carrying amount of its impaired assets of stores and other assets, comprising: facilities, improvements, projects, assignment of right and obsolete assets. As at December 31, 2021, the provision balance was R\$ 12,955 (R\$ 8,094 in 2020).

In the year ended December 31, 2020, the Company had 11 stores with provisions for impairment. In 2021, a provision was set up for the impairment of additional 16 stores, 11 stores had their provisions reversed and 5 stores with provisions set up in 2020 had their provision maintained. Consequently, in the year ended December 31, 2021, the Company had 21 stores with provisions and the result of these movements was the increase of the provision for impairment by R\$4,861 in 2021 (reversal of provisions of R\$2,246 in 2020) (Note 23).

For the opening of restaurants and acquisitions, the Company analyzes, among other factors, the feasibility, cash generation and return.

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10. Intangible assets, net

	Average annual amortization rate	Parent company and Consolidated	
		2021	2020
Commercial rights	(i)	56,682	67,687
Franchise fee	5%	83,472	84,522
Software licenses	20%	28,995	16,495
Right-of-use asset	(ii)	836,407	732,308
Goodwill	(iii)	572,199	572,199
Total intangible assets		1,577,755	1,473,211

(i) According to the rental agreement terms, 10 years on average.

(ii) According to the rental agreement term.

(iii) Annual analysis of impairment.

The movements in intangible assets in the years ended December 31, 2021 and 2020 were as follows:

	Parent company and Consolidated					
	Commercial rights	Franchise fee (Note 17)	Software licenses	Right-of-use assets (Note 3)	Goodwill	Total
Cost						
Balance as at 12/31/2019	141,116	95,594	26,867	779,224	572,199	1,615,000
Additions	16,590	15,068	10,579	205,224	-	247,461
Write-offs (Note 23)	(1,766)	(1,656)	(364)	-	-	(3,786)
Sale of stores (Note 23)	(10)	(179)	(12)	-	-	(201)
Balance as at 12/31/2020	155,930	108,827	37,070	984,448	572,199	1,858,474
Additions	4,276	5,133	21,982	265,980	-	297,371
Balance as at 12/31/2021	160,206	113,960	59,052	1,250,428	572,199	2,155,845
Amortization						
Balances as at 12/31/2019	(72,471)	(18,968)	(15,603)	(118,238)	-	(225,280)
Additions	(17,200)	(5,824)	(5,255)	(133,902)	-	(162,181)
Write-offs (Note 23)	1,418	442	274	-	-	2,134
Sales of stores (Note 23)	10	45	9	-	-	64
Balance as at 12/31/2020	(88,243)	(24,305)	(20,575)	(252,140)	-	(385,263)
Additions	(15,281)	(6,183)	(9,482)	(161,881)	-	(192,827)
Balance as at 12/31/2021	(103,524)	(30,488)	(30,057)	(414,021)	-	(578,090)
Total intangible assets as at 12/31/2020	67,687	84,522	16,495	732,308	572,199	1,473,211
Total intangible assets as at 12/31/2021	56,682	83,472	28,995	836,407	572,199	1,577,755

Considering the current information and data regarding the potential impacts of the COVID-19 pandemic on its activities to date, the Company assessed and did not identify the need to additional record a provision for impairment.

10. Intangible assets, net--Continued

Goodwill

The goodwill arising from acquisitions is supported by future profitability deriving from the synergy of businesses, dilution of fixed costs, expected growth of brand, improvement in commercial conditions of existing contracts in stores acquired due to the higher purchasing power and capital management.

Impairment test

Intangible assets were tested for impairment and in the years ended December 31, 2021 and 2020, no intangible assets with carrying amounts higher than their recoverable amounts were identified.

The projections are in line with the Business Plan prepared by the Company's Management for the next five years and the cash flows that exceed the five-year period are increased according to the growth expected for the economic group to consider perpetuity aspects. The projected growth of sales, costs and economic indicators is expected to be in line with the curve observed in prior years with the exception of the years 2021 and 2020 that were impacted by the pandemic, and with the economic growth of the country in which the Company has operations.

The process of determining an asset's value in use involved the utilization of assumptions, judgments and estimates on cash flows, such as the growth rate of revenues, costs and expenses, estimates of future investments and working capital, perpetuity and discount rate. Such understanding is in line with paragraph 35 of CPC 01 (R1)/NBC TG 01 (R4)/IAS 36 - Impairment of Assets. All assumptions used are described below:

- The projections were made in reais and discounted at the weighted average cost of capital ("WACC"), considering the sensitivities in this metrics. The pre-tax discount rate applied to cash flow projections is 11.56% p.a. in 2021 (9.74% p.a. in 2020).
- The nominal growth rate used to extrapolate the cash flows of the economic group for a period of five years was 5% for all years, which reflects a conservative perspective of the Company's growth in relation to future annual inflation.
- The average growth rates of the sales revenues projected for the five-year period were adjusted considering the future projection of the Extended National Consumer Price Index (IPCA), GDP (Gross Domestic Product), and the opening of new stores.

Based on the tests performed, the Company did not identify impairment losses on the goodwill recorded.

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11. Loans and financings

	Parent company and Consolidated	
	2021	2020
Loans and financings (Note 11.1)	384,389	430,002
Debentures (Note 11.2)	405,881	400,774
Total loans and financings	790,270	830,776
Current	153,535	53,612
Non-current	636,735	777,164

The loans and financings in local currency are represented by financing for the purchase of assets for new stores opened and for working capital and the non-current amounts, not discounted from the financial charges to be incurred, which are R\$1,534 as at December 31, 2021 (R\$1,490 as at December 31, 2020), have the following original maturities as at December 31, 2021 and 2020:

Year	Parent company and Consolidated	
	2021	2020
2022	-	140,385
2023	120,885	120,885
2024	483,384	449,384
2025	34,000	68,000
Total	638,269	778,654

11.1. Loans and financings

Description	Interest rates (p.m.)	Maturity	Parent company and Consolidated	
			2021	2020
Loan - Working capital	0.22% to 0.30% + CDI	Jun/2022 to Mar/2025	384,991	430,391
Financial charges to be incurred			(602)	(389)
Total loans and financings (Note 11)			384,389	430,002
Current			146,474	51,417
Non-current			237,915	378,585

11.2. Debentures

Description	Interest rates (p.m.)	Maturity	Parent company and Consolidated	
			2021	2020
Debentures 8 th issue	100% of CDI + 0.11%	October 2024	407,551	402,721
Financial charges to be incurred			(1,670)	(1,947)
Total debentures (Note 11)			405,881	400,774
Current			7,061	2,195
Non-current			398,820	398,579

11. Loans and financings--Continued

11.3. Covenants

The Company has covenants in loans, financings and debentures, which restrict its ability to take certain actions, and may require the early maturity or the refinancing of debts if the Company does not comply with these covenants.

The ratios and minimum and maximum amounts required by these covenants as at December 31, 2021 and 2020 are presented below:

Debentures 8th issue, loans and financings:

- (i) The ratio between net debt (Note 27) and adjusted EBITDA (covenants), excluding the effects of IFRS16, of the Company must be less than or equal to 3.0.

The calculation of covenants according to the criteria and requirements in the agreements is shown below:

	Consolidated	
	2021	2020
Net sales revenue (Note 20)	2,753,287	2,238,127
Cost of goods and products sold and expenses with stores (Notes 21 and 22) (i)	(2,559,913)	(2,244,906)
Operating EBITDA	193,375	(6,779)
Operating EBITDA margin	7.0%	(0.3%)
General and administrative expenses (Note 23) (i)	(143,657)	(127,095)
Adjusted EBITDA	49,718	(133,874)
Loans and financings (Debt) (Note 11)	790,270	830,776
Cash and cash equivalents and marketable securities (Notes 4 and 5)	(450,808)	(820,819)
Net debt	339,462	9,957
Net debt/ EBITDA ratio	6.8	-0.07

- (i) To calculate the adjusted EBITDA for covenants, the depreciation and amortization expenses, gain (loss) on disposals of property and equipment, gain (loss) on claims, preoperating expenses and expenses on acquisitions and mergers, provision (reversal) for impairment and capital gain from disposal of stores, are not considered, according to the criteria determined by the Company and contracted;

Covenants are controlled annually by the financial institutions, and monthly by the Company. Considering the impacts on the results over the year, cash consumption in the current scenario and the worsening of the effects of the pandemic on its operating activities (Note 2), the Company was limited in the compliance with the covenants regarding its annual obligation and obtained the waiver for the measurement of this ratio for 2021. In 2020, the Company was also unable to achieve the indicators regarding the restrictive clauses due to the impacts of the pandemic on operations, and on that occasion it obtained consent for non-measurement.

The prior authorization for non-measurement of the financial ratio was obtained before December 31, 2021, under certain resolute terms, which we highlight: (i) the payment of a premium, only for debentures, of R\$3,633 and; (ii) maintenance of a minimum cash as at December 31, 2021 amounting to R\$250,000. As at December 31, 2021, the Company was in compliance with these conditions.

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11. Loans and financings--Continued

11.3. Covenants--Continued

Collaterals

As at December 31, 2021, the Company has a letter of guarantee with banks amounting to R\$7,116 (R\$4,573 as at December 31, 2020) as collateral for the rental of stores.

The loans and financings in local currency are represented by financing for the purchase of assets for new stores opened and for use in the Company. For working capital loans, 20% of the financial flow of funds processed with specific card flags were pledged as collateral, and if this amount is not sufficient, the debt balance must be guaranteed by financial investments.

12. Trade payables

Parent company and Consolidated

	2021	2020
Suppliers of materials and services (i)	210,860	164,643
Agreement with suppliers (ii)	8,443	39,645
Others	28,614	13,328
Total trade and rental payables	247,917	217,616

- (i) The increase in the balance of suppliers of materials and services in the year ended December 31, 2021 is due to the resumption of operations of the Company's stores in the second half of 2021, compared with the comparative year (Note 2) combined with a higher number of stores operating (Note 1).
- (ii) The Company has financial liabilities with suppliers, through financial institutions, whose suppliers received in advance in the quarter ended December 31, 2021. As a potential financial value embedded in the operations, we inform that the average rate used in advances is 2.0% p.m., combined with the average term of 31 days in advance (as at December 31, 2020, the average rate used was 1.2% p.m., combined with the average term of 41 days in advance). We have evaluated the potential financial value embedded in the operations, in conjunction with the term and do not consider it significant for greater details.

13. Taxes payable

Parent company and Consolidated

	2021	2020
Withholding Income Tax (IRRF)	560	988
State VAT (ICMS)	16,791	17,696
Contribution For Intervention in the Economic Domain (CIDE)	1,997	2,548
Taxes in installments (i)	5,295	10,812
Service Tax (ISS)	8,367	5,577
Social Security Contribution (INSS) withheld	452	862
Social Security Contribution (INSS) payable (ii)	2,432	2,432
Other	1,294	1,426
Total taxes payable	37,188	42,341
Current	30,743	31,561
Non-current	6,445	10,780

(i) Refers to the installment payment of taxes and enrollment in the PERT made by the investees, merged during 2019.

(ii) Refers to the voluntary installment payment of INSS made by the investees merged during 2019.

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14. Deferred revenue, net

Parent company and Consolidated

	2021	2020
Deferred revenue, net - franchise fee (i)	4,270	3,942
Deferred revenue, net - trade payables ii)	13,499	22,679
Deferred revenue, net - CLUBE BK (iii)	1,910	-
Total deferred revenue, net	19,679	26,621
Current	13,805	11,857
Non-current	5,874	14,764

- (i) Recognition of franchise fee revenue of sub-franchisee due to the adoption of CPC 47/NBC TG 47/IFRS 15 - Revenue from Contracts with Customers.
- (ii) Amounts received in advance for the marketing campaign agreement entered into with specific suppliers for the exclusive sale of products of these suppliers in Burger King restaurants, exposure of suppliers' brands and investment in marketing campaigns to increase the sales of Burger King products and consequently increase in sales of the suppliers' products.
- (iii) Loyalty program launched in 2021 with the recognition of revenue in accordance with CPC 47/NBC TG 47/IFRS15 - Revenue from Contracts with Customers.

15. Other payables

	Parent company		Consolidated	
	2021	2020	2021	2020
Provision for sundry expenses (i)	26,061	22,495	26,061	22,495
Investments payable - King Food/Good Food/Fast Burger	16,052	15,393	16,052	15,393
(-) Adjustment to present value of investments payable - King Food/Good Food/Fast Burger	(313)	(1,120)	(313)	(1,120)
Advances from customers	1,016	930	1,016	930
Others 18	1,020	110	1,047	136
Total other payables	43,836	37,808	43,863	37,834
Current	26,448	20,947	26,475	20,973
Non-current	17,388	16,861	17,388	16,861

- (i) Increase mainly of the provision for service fees in delivery platforms, increase in costs with materials and services.

16. Provision for legal claims

The Company is exposed to certain risks, represented by tax, civil and labor lawsuits, which are provided for in the financial statements, since they are considered as having a probable likelihood of loss or because of their significance to the Company's financial position.

The provision for legal claims was considered based on various factors, including (but not limited to) the opinion of the Company's legal counsel, the nature of lawsuits and historical experience. The amounts provided for related to legal claims under judicial proceedings are shown in the table below.

In addition, the Company is aware, of other tax, civil and labor lawsuits, and based on the history of probable losses and analysis of main lawsuits, the measurement of lawsuits with a possible likelihood of loss was R\$ 102,234 (R\$ 46,635 in 2020) in Parent company and Consolidated, as follows:

	Parent company and Consolidated			
	2021		2020	
	Probable	Possible (i)	Probable	Possible (i)
Labor lawsuits (ii)	24,641	47,330	21,896	26,467
Civil lawsuits	781	10,539	1,265	10,690
Tax lawsuits (iii)	-	44,465	2	9,478
Total provision for legal claims	25,422	102,334	23,163	46,635

- (i) For lawsuits with a possible likelihood of loss, there is no provision to cover losses on these lawsuits.
- (ii) The increase in labor lawsuits with a possible likelihood of loss is due to the increase in lawsuits filed against the Company, as well as to lawsuits that were previously considered as remote likelihood of loss and that became possible.
- (iii) The increase in tax lawsuits with a possible likelihood of loss is mainly due to the disclosure of new lawsuits occurred in the year as a result of tax assessment notices related to collection of ICMS ST tax from the period from March 2019 to December 2019 and to a tax enforcement proceeding for collection of federal taxes (CIDE, PIS, COFINS, IR, CSLL and INSS) from October 2015 to October 2018. These lawsuits are being discussed in courts and the Company expects to reverse the situation.

Probable labor claims

The Company is a party to labor lawsuits, mainly regarding employee terminations in the normal course of business. As at December 31, 2021, the Company had a provision of R\$ 24,641 (R\$ 21,896 as at December 31, 2020) in the Parent company and Consolidated, for the contingencies related to lawsuits. These contingencies are evaluated based on the average historical loss of the last eighteen months compared with the total lawsuits outstanding at the end of the year, excluding lawsuits considered as specific and non-routine, for which specific provisions are set up adopting criteria similar to those applied for tax and civil assessments.

The movements in the provision for legal claims were as follows:

	Parent company and Consolidated				
	2020	Additions	Write-offs/ Reversals	Payments	2021
Labor lawsuits	21,896	23,412	(474)	(20,193)	24,641
Civil lawsuits	1,265	398	(462)	(420)	781
Tax lawsuits	2	-	(2)	-	-
TOTAL	23,163	23,810	(938)	(20,613)	25,422

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16. Provision for legal claims--Continued

Judicial deposits

	Parent company and Consolidated	
	2021	2020
Labor lawsuits	27,603	26,542
Civil lawsuits	915	697
Tax lawsuits	12,653	10,761
Total judicial deposits	41,171	38,000

17. Related parties

17.1 Franchise Fees, Royalties and Service Fee

RBI is a Company's shareholder and, therefore, a related party. As discussed in Note 1, the Company has entered into a Master Franchise agreement, and it has the obligation to pay a franchise fee and royalties to RBI.

As mentioned in note 1, the transactions of Franchise Fees and Royalties are carried out under exclusive conditions provided in the agreements with BKC and PLK, since BKB is the representative of the brands in Brazil.

In view of the agreements described above, the Company has recorded in its payables and receivables in the years ended December 31, 2021 and 2020 the following amounts:

	Burger King Corporation (BKC)		Popeyes Louisiana Kitchen (PLK)	
	2021	2020	2021	2020
Assets				
Receivables (Note 6)	66	145	-	500
Additions of franchise fee (Note 10)	2,751	12,094	2,382	2,974
Liabilities				
Corporate payables	(21,358)	(15,381)	(764)	(443)
	2021	2020	2021	2020
Results				
Service fee revenue	787	605	-	-
Royalties expenses	(140,309)	(115,978)	(5,390)	(3,337)

17.2 Corporate payables

As at December 31, 2021, the Company (Parent company and consolidated) had a balance of R\$ 22,122 related to royalties and franchise fee due to BKC and PLK (R\$ 15,824 as at December 31, 2020).

17. Related parties--Continued

17.3 Management compensation

	2021		2020	
	Officers	Directors	Officers	Directors
Management fees	5,373	-	4,926	-
Direct and indirect benefits	443	-	616	-
Variable compensation	4,125	-	6,804	-
Fees	-	2,632	-	2,351
Others (INSS)	1,504	526	1,833	470
	11,445	3,158	14,179	2,821

The Company's officers are also included in the Stock Option Plan, which is described in Note 30.

The Annual General Meeting held on April 29, 2021 approved the Company's global management compensation for 2021, in the amount of up to R\$ 26,142, of which R\$ 22,758 refer to the compensation for the Company's Statutory Officers and R\$ 3,384 to the compensation for the Board of Directors. The calculated amounts are recorded in general and administrative expenses.

18. Equity

Capital

As at December 31, 2021 and 2020, the Company's capital is R\$ 1,461,068 and is represented by 275,355,447 common shares, all of them registered, book-entry and without par value, of which R\$24,214 are in treasury represented by 1,222,719 of these shares.

Allocation of losses

The proposal for the allocation of the Company's loss for the year ended December 31, 2021, in the amount of R\$ 273,841, is to maintain as accumulated losses, amounting to R\$584,807.

The allocation of the Company's loss for the year ended December 31, 2020, in the amount of R\$ 445,607, is as follows: (i) absorption of R\$ 134,641 by the profit reserves; (ii) maintain the residual balance of R\$ 310,966 after the aforementioned absorption in accumulated losses.

19. Earnings (loss) per share

Based on CPC 41/NBC TG 41 (R2)/IAS 33 - Earnings per Share, the Company must disclose the basic and diluted earnings (loss) per share. The comparative figures of basic and diluted earnings/loss per share are based on the weighted average number of shares outstanding in the year, and all shares with potential dilutive effect outstanding for each presented exercise, respectively.

Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share, except for the potential shares outstanding that are added, in order to include the number of additional shares that would be outstanding if the potential dilutive shares attributed to stock options and redeemable shares held by noncontrolling interests had been issued during the respective years, using the weighted average share price.

The following table presents the calculation of the basic and diluted earnings (loss) per share:

	Parent company and Consolidated	
	2021	2020
<u>Basic numerator</u>		
Loss for the year	(273,841)	(445,607)
<u>Basic denominator</u>		
Basic weighted average number of shares (net treasury) - in thousands	274,133	232,563
<u>Basic loss per share</u>	(0.9989)	(1.9161)
<u>Diluted numerator</u>		
Loss for the year	(273,841)	(445,607)
<u>Diluted denominator</u>		
Weighted average number of shares (net treasury) - in thousands	274,133	232,563
Stock options (Note 30) - in thousands	2,254	1,693
Anti-dilution effect - in thousands	(2,254)	(1,693)
Diluted weighted average number of shares	274,133	232,563
<u>Diluted loss per share</u>	(0.9989)	(1.9161)

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20. Net operating revenue

	Parent company and Consolidated	
	2021	2020
Gross sales revenue	2,973,094	2,433,203
Sales revenue deductions (i)	(251,264)	(221,130)
Net sales revenue	2,721,830	2,212,073
Gross revenue from services rendered	35,253	29,222
Service revenue deductions	(3,796)	(3,168)
Net service revenue	31,457	26,054
Total net operating revenue	2,753,287	2,238,127

(i) As mentioned in Note 8, untimely PIS/COFINS tax credits of R\$6,139 were recognized in the year ended December 31, 2021.

21. Cost of goods and products sold

	Parent company and Consolidated	
	2021	2020
Costs of food, beverages and packaging (i)	(974,549)	(830,753)
Cost of services and others	(58,355)	(83,204)
Allowance for inventory losses (ii) (Note 7)	(1,701)	-
Total cost of sales and services	(1,034,605)	(913,957)

(i) As a result of the COVID-19 pandemic (Note 2), the cost of food, beverages and packaging in 2020 was impacted by R\$ 9,176, represented by expired perishable items and additional freight when transferring products between stores. Nevertheless, the year 2020 was also directly impacted by the global commodity scenario and invariably by total food inflation.

(ii) Provision for write-off of inputs not expected to be realized, that is, perishable foods near their expiry dates and gifts whose license expired and are not expected to be renewed.

22. Selling expenses

	Parent company and Consolidated	
	2021	2020
Personnel expenses	(507,064)	(481,608)
Royalties	(145,699)	(119,315)
Occupancy and utilities expenses (i)	(242,549)	(206,047)
Depreciation and amortization (Notes 9 and 10)	(200,636)	(189,480)
Amortization of right of use (rental) (Note 3) (ii)	(149,080)	(121,064)
Preoperating expenses (iii)	(8,210)	(5,851)
Sundry services (iv)	(182,859)	(168,094)
Repairs and maintenances	(36,996)	(57,262)
Others (v)	(220,676)	(183,155)
Total selling expenses	(1,693,769)	(1,531,876)

22. Selling expenses--Continued

- (i) The effects of the adoption of CPC 06 (R2) / NBC TG 06 (R3) / IFRS16 positively impacted the line items of occupancy and utilities expenses by R\$189,465 as at December 31, 2021 (R\$115,468 as at December 31, 2020), net of Pis and Cofins, as the operating lease (fixed rent) is no longer recognized under this line item (Note 3).
- (ii) In compliance with CVM Circular Letter 02/2019, the balances in the statement of financial position account Amortization of right of use (Notes 3 and 10) are gross of taxes (Pis and Cofins) and total R\$ 161,881 as at December 31, 2021, (R\$ 133,902 as at December 31, 2020), while the balances in the statement of profit or loss accounts Amortization of right of use (Notes 22 and 23) are net of taxes (Pis and Cofins) totaling R\$150,644 (R\$ 121,992 as at December 31, 2020).
- (iii) Preoperating costs of restaurants are mainly represented by costs of salaries and charges of the store professionals, services rendered by third parties and other expenses generated before the opening of stores.
- (iv) The variation in sundry services is mainly due to the increase in delivery platform services, which are directly linked to the sales generated by this channel.
- (v) The other expenses consist mainly of provision for expected credit losses on realization of credits (Note 6), write-offs due to the non-realization of credits, fees, uniforms, cleaning materials, kitchen supplies and marketing expenses of its brands.

23. General and administrative expenses

	Parent company		Consolidated	
	2021	2020	2021	2020
Administrative personnel expenses	(125,637)	(119,273)	(125,637)	(119,273)
Occupancy and utilities expenses (i)	(767)	(1,290)	(767)	(1,290)
Depreciation and amortization (Notes 9 and 10)	(25,200)	(20,610)	(25,200)	(20,610)
Amortization of right of use (rental) (Note 3) (ii)	(1,564)	(928)	(1,564)	(928)
Expenses on acquisitions and mergers (iii)	(7,358)	(158)	(7,358)	(158)
Disposal of property and equipment (Notes 9 and 10)	(8,527)	(24,438)	(8,527)	(24,438)
Income from stores sold	288	3,772	288	3,772
Write-off of assets of stores sold (Note 10)	(724)	(3,341)	(724)	(3,341)
Gains on claims	(16)	13	(16)	13
Provision for impairment (Note 9)	(4,861)	2,246	(4,861)	2,246
Stock options cost (Note 30)	(8,284)	(9,824)	(8,284)	(9,824)
Other operating income (expenses), net (iv)	(14,680)	(5,373)	(14,899)	(5,628)
Total general and administrative expenses	(197,330)	(179,204)	(197,549)	(179,459)

- (i) The effects of the adoption of CPC 06 (R2) / NBC TG 06 (R3) / IFRS16 positively impacted the line items of occupancy and utilities expenses by R\$2,354 as at December 31, 2021 (R\$904 as at December 31, 2020), net of Pis and Cofins, as the operating lease (fixed rent) is no longer recognized under this line item (Note 3).
- (ii) In compliance with CVM Circular Letter 02/2019, the balances in the statement of financial position account Amortization of right of use (Notes 3 and 10) are gross of taxes (Pis and Cofins) and total R\$ 161,881 as at December 31, 2021, (R\$ 133,902 as at December 31, 2020), while the balances in the statement of profit or loss accounts Amortization of right of use (Notes 22 and 23) are net of taxes (Pis and Cofins) totaling R\$150,644 (R\$ 121,992 as at December 31, 2020).
- (iii) Expenses related to the association agreement entered into with the holders of the exclusive rights of Master Franchise of the DOMINO'S PIZZA franchise in the country, DP Brasil (Note 32). The Company informed the market about the association agreement on July 9, 2021 and the agreement termination was informed on October 31, 2021 - both information disclosed in material facts.
- (iv) Refer to the income from the premium on the initial supply agreement, reversal of costs on the construction of stores, expenses with provisions for legal claims, services taken, travel expenses and services rendered.

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24. Financial expenses

	Parent company and Consolidated	
	2021	2020
Interest on loans and financings	(34,171)	(26,823)
Banking expenses and sundry interest	(9,081)	(9,821)
Foreign exchange losses	(1,929)	(2,335)
Lease APV expense payable (Note 3)	(80,156)	(68,213)
Investment APV expense payable – BKCS and other receivable	(6,189)	(923)
Derivatives expenses	(3,885)	(2,230)
Monetary adjustment	(788)	(370)
Others	(5,362)	(3,960)
Financial expenses	(141,561)	(114,675)

25. Financial income

	Parent company		Consolidated	
	2021	2020	2021	2020
Financial investment interest and yield	20,322	11,313	20,541	11,568
Foreign exchange gains	1,522	3,223	1,522	3,223
Derivatives income	1,762	2,040	1,762	2,040
Discount - COVID19 (i) (Note 3)	15,943	47,033	15,943	47,033
Taxes on financial income	(1,441)	(1,120)	(1,441)	(1,120)
Monetary adjustment (ii)	3,257	5,382	3,257	5,382
Others	2,015	2,298	2,015	2,298
Financial income	43,380	70,169	43,599	70,424

- (i) Based on the Revision of Technical Pronouncements No.16 issued by CVM on July 7, 2020 and Revision of Technical Pronouncements No. 18 issued by CVM on July 21, 2021, which contained amendments to CPC 06 (R2) referring to Covid-19-Related Rent Concession (and extension), the Company elected to use the practical expedient of not remeasuring the operating lease agreements since the renegotiations made were in respect of benefits considered related to COVID-19, recognizing such benefits in profit or loss for the year (Note 3).
- (ii) As mentioned in Note 8, monetary adjustments on untimely PIS/COFINS tax credits of R\$2,298 were recognized.

26. Income tax and social contribution

Breakdown of expenses

The breakdown of income tax and social contribution expenses for the years ended December 31, 2021 and 2020 is as follows:

	Parent company and Consolidated	
	2021	2020
Current	-	-
Deferred	(3,243)	(14,191)
	<u>(3,243)</u>	<u>(14,191)</u>

Reconciliation to effective rate

The reconciliation of income tax and social contribution expenses calculated at the statutory rates with amounts recorded in the statement of profit or loss for the years ended December 31, 2021 and 2020 is shown below:

	Parent company and Consolidated	
	2021	2020
Profit (loss) before income tax and social contribution	(270,598)	(431,416)
Income tax and social contribution expense at the combined statutory rate of 34%	92,003	146,681
Adjustments to reconcile the effective rate:		
Deferred taxes not recognized on tax losses	(83,564)	(167,149)
Payment of non-deductible bonus	(1,236)	-
Cash shortage	(447)	(321)
Loss on write-off of non-financial assets	(4,642)	-
Tax and labor fines and infractions	(767)	(699)
Stock options costs	(2,817)	(3,340)
Share issue costs	-	7,810
Interest on capital (IOC)	-	3,920
Other permanent differences	(1,773)	(1,094)
Income tax and social contribution	(3,243)	(14,192)

Deferred

The Company has tax credits arising from tax loss carryforwards and temporary differences. As the tax credits can be carried forward indefinitely, there is no limit date for the utilization of these tax credits. The offsetting of tax losses, limited by law to 30% of the taxable profit for the year, entails a considerable increase in the recovery period of tax credits.

We also emphasize that the current scenario arising from the COVID-19 pandemic was considered in the studies that support the recognition of tax credits.

The recoverability of these deferred taxes is reviewed at least annually, or when it is probable that future taxable profit will not be available.

26. Income tax and social contribution--Continued

Deferred--Continued

The breakdown of deferred income tax and social contribution, net, is shown below:

	Parent company and Consolidated	
	2021	2020
Deferred income tax and social contribution - assets	256,271	164,351
Deferred income tax and social contribution - liabilities	(285,383)	(186,994)
	(29,112)	(22,643)

The main components of deferred income tax and social contribution are shown below:

	Parent company and Consolidated	
	2021	2020
Tax loss carryforwards	845,869	600,094
<u>Temporary differences</u>		
Provision for legal claims (Note 16)	25,422	23,163
Provision for bonuses	26,142	20,126
Provision for purchases	15,991	2,137
Provision for impairment (Note 9)	12,955	8,094
Pre-operating	25,673	26,961
Accrued expenses	25,701	19,956
Amortization of leases and APV on lease liabilities	590,397	359,597
Deferred revenue	4,270	3,942
Others	27,186	19,408
Tax base	1,599,606	1,083,478
Statutory rate	34%	34%
	543,866	368,383
(-) Unrecognized deferred taxes on tax loss carryforwards	(287,595)	(204,032)
Deferred income tax and social contribution - assets	256,271	164,351
Transitional Tax System (RTT)	(5,171)	(695)
Financial charges to be incurred	(2,272)	(2,336)
Tax amortization of goodwill	(323,585)	(246,378)
Payment of lease liabilities	(508,334)	(300,573)
Tax base	(839,362)	(549,982)
Combined rate	34%	34%
Deferred income tax and social contribution – liabilities	(285,383)	(186,994)
Deferred income tax and social contribution, net	(29,112)	(22,643)

In view of the uncertain and challenging scenarios caused by the COVID-19 pandemic and in a conservative manner, the Company decided not to recognize the deferred tax asset on tax losses for the year ended December 31, 2021. As for temporary differences, the Company recognized deferred taxes considering the expectation of their future realization.

27. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and financings, debentures, trade payables and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has loans, trade and other receivables, and cash and short-term deposits that arise directly from its operations.

Management reviews and establishes policies for managing each of these risks that are presented below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial investment will fluctuate because of changes in market prices. Market risks comprise three types of risks: interest rate risk, foreign exchange rate risk and price risk, which can be of commodities, stocks, or others. Financial instruments affected by market risk include loans receivable and payable, deposits, financial instruments available-for-sale and measured at fair value through profit or loss and derivative financial instruments.

The following assumptions have been made in calculating the sensitivity analysis:

For the sensitivity analysis of fluctuations in risks analyzed, Management adopted for the probable scenario the projected interest rates for 2021. Scenarios II and III were estimated based on an additional appreciation of 50% and 25%, respectively, while scenarios IV and V estimate an additional depreciation of 25% and 50%, respectively, of the rates in the probable scenario.

The sensitivity analyses in the following sections relate to the position as at December 31, 2021 .

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest cost using a mix of fixed and variable rate debt.

27. Financial risk management objectives and policies--Continued

Interest rate risk--Continued

Interest rate sensitivity

At the end of the reporting period, the profile of interest-bearing financial instruments was:

Variable rate instruments	Parent company		Consolidated	
	2021	2020	2021	2020
Financial assets				
Short-term investments (Note 4)	89,770	192,140	89,770	192,140
Marketable securities (Note 5)	339,192	601,124	339,218	601,149
Financial liabilities				
Loans and financings (Note 11)	(790,270)	(830,776)	(790,270)	(830,776)

The following table demonstrates the possible impacts on profit or loss in the event of the respective scenarios presented, average annual CDI rate of 4.71%.

Asset exposure	Exposure	Risk	Consolidated				
			I Probable	II 50%	III 25%	IV -25%	V -50%
Short-term investments (Notes 4 and 5)	428,988	DI variation	20,541	10,271	5,135	(5,135)	(10,271)
Loans and financings (Note 11)	(790,270)	DI variation	(34,171)	(17,086)	(8,543)	8,543	17,086

Foreign currency risk

Foreign currency sensitivity

The following table demonstrates the possible impacts on profit or loss in the event of the respective scenarios presented:

Asset exposure	Exposure	Risk	Exchange rate as at 12/31/2021	Parent company and Consolidated				
				I Probable	II 50%	III 25%	IV -25%	V -50%
Royalties/Franchise Fee (Note 17)	22,122	US dollar variation	5.5799	22,122	(11,061)	(5,531)	5,531	11,061

Credit risk

The following table demonstrates the rating of the amounts invested (Notes 4 and 5) according to the rating agency Fitch.

Rating	Parent company		Consolidated	
	2021	2020	2021	2020
AAA	339,953	549,124	319,694	539,714
AA	88,926	243,879	105,384	253,314
AA-	-	-	3,827	-
A	83	261	83	261
	428,962	793,264	428,988	793,289

27. Financial risk management objectives and policies--Continued

Liquidity risk

The following table presents the liquidity risks of the main financial instruments by maturity and reflects the Company's undiscounted cash flows as at December 31, 2021:

Asset exposure	Carrying amount	Financial flow	Consolidated			Total
			Less than 3 months	From 3 months to 1 year	From 1 to 5 years	
Assets						
Cash and cash equivalents (Note 4)	111,590	111,590	111,590	-	-	111,590
Marketable securities (Note 5)	339,218	339,218	-	339,218	-	339,218
Trade receivables (Note 6)	139,267	139,267	139,267	-	-	139,267
Liabilities						
Lease liabilities (Note 3)	918,467	1,251,481	63,070	183,057	1,005,354	1,251,481
Loans and financings (Note 11)	790,270	1,002,062	16,005	217,003	769,054	1,002,062
Trade payables (Note 12)	247,917	247,917	247,917	-	-	247,917
Corporate payables (Note 17.2)	22,122	22,122	22,122	-	-	22,122
Taxes payable (Note 13)	37,188	38,868	7,689	23,078	8,101	38,868

Capital management

Assets can be financed by cost of equity or cost of debt. If the option for cost of equity is chosen, it can use resources from capital contributions made by the shareholders.

The use of financing resources will always be an option to be considered, mainly when the Company believes that this cost will be lower than the return generated by the asset acquired. It is important to assure the maintenance of an efficient capital structure, which enables financial soundness and at the same time makes the business plan feasible.

The capital is managed through leverage ratios, which are defined as net debt divided by Adjusted EBITDA for the last 12 months, and net debt divided by the sum of the net debt and total equity. Management seeks to maintain this ratio at levels equal to or lower than industry levels. Management includes in net debt the loans and financings (including debentures), swaps, cash and cash equivalents, current and non-current financial investments, and current and non-current restricted marketable securities.

The capital structure is comprised of net debt, defined as total loans and financings (including debentures), net of cash and cash equivalents, marketable securities and other short-term financial assets and capital, defined as total equity and net debt, all based on the considered data.

The Company is not subject to any external requirement on capital. Total capital is defined as total equity plus net debt, as follows:

27. Financial risk management objectives and policies--Continued

Capital management--Continued

	Consolidated	
	2021	2020
Equity	1,572,720	1,838,459
Cash and cash equivalents (Note 4)	(111,590)	(219,670)
Marketable securities (Note 5) (i)	(339,218)	(601,149)
Loans and financings (Note 11) (i)	790,270	830,776
Net debt	339,462	9,957
Lease liabilities (Note 3) (i)	918,467	791,331
Total capital	2,830,649	2,639,747

(i) Includes current and non-current, net of costs

Hedge accounting

The Company applies the hedge accounting rules to derivative and non-derivative instruments that qualify for cash flow hedge relationship, according to the determinations of its Risk Policies. The Company makes the formal designation of its hedge accounting relationship, as provided for in CVM Resolution 763/16/IFRS 9 and with its Risk Policy.

i. Cash flow hedge

The Company purchase fries, component of the cost of sales, and this cost is linked to the Euro, so that, when the Company knows its expectation of highly probable future purchases, a foreign exchange risk arises. Thus, the Company adopts the policy of managing this risk by entering into derivatives (NDF - non-deliverable forwards). When derivative contracts are entered into, they are intrinsically related to future purchases of inputs and therefore qualify for the adoption of hedge accounting. The Company opted for the adoption of the cash flow hedge accounting and the strategy is to set the actual cash flow from future potato purchases (hedged item) and to set the Euro rate through a derivative (hedging instrument).

ii. Gains and losses on hedge accounting instruments

Financial instruments designated as cash flow hedge, while not realized, are recognized in other comprehensive income while effective and according to the strategy defined in the policy.

iii. Sensitivity analysis

The Company demonstrates the possible impacts of the financial instruments in profit or loss and equity considering the scenarios: probable, pessimistic (25% deviation) and adverse (50% deviation).

Parity - R\$ x EUR		Current Scenario	Scenario I 25% Appreciation	Scenario II 50% Appreciation	Scenario III 25% Depreciation	Scenario IV 50% Depreciation
Operation/Instrument	Risk					
Designated as hedge accounting						
NDF	R\$ depreciation	147	184	221	(110)	(74)
Import (item)	R\$ appreciation	(147)	(184)	(221)	110	74
Net effect		-	-	-	-	-

28. Derivative financial instruments

The values of derivative financial instruments, represented by NDF contracts, are summarized below:

Instruments	Maturity	Assets (hedged item)	Parent company and Consolidated			
			2021		2020	
			Notional	Fair value	Notional	Fair value
	<u>(Designated as cash flow hedge)</u>					
NDF	01/2021	Euro	-	-	1,375	49
NDF	02/2021	Euro	-	-	1,338	31
NDF	03/2021	Euro	-	-	1,147	22
NDF	04/2021	Euro	-	-	887	35
NDF	05/2021	Euro	-	-	956	83
NDF	06/2021	Euro	-	-	764	77
NDF	07/2021	Euro	-	-	191	3
NDF	01/2022	Euro	300	43	-	-
NDF	02/2022	Euro	300	38	-	-
NDF	03/2022	Euro	300	63	-	-
NDF	07/2022	Euro	53	3	-	-
			953	147	6,658	300

Losses and gains on derivative transactions, designated as cash flow hedge, are recognized at fair value related to hedge market marking, in other comprehensive income. When the instrument is liquidated, these hedge costs are classified in the statement of profit or loss.

29. Fair value

Methodology for calculation of fair value of financial instruments

Fair value is defined as the amount by which an asset could be exchanged or a liability settled between knowledgeable, willing parties, in an arm's length transaction.

Hierarchy in 3 levels for the fair value measurement, and the fair value measurement is based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect the Company's market assumptions.

These two types of inputs create the fair value hierarchy presented below:

Level 1 - Quoted prices in active markets for identical instruments;

Level 2 - Quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in inactive markets and valuation models for which the inputs are observable; and

Level 3 - Instruments for which significant inputs are not observable.

The breakdown below shows the Company's financial assets classified into the valuation hierarchy. As at December 31, 2021, the fair value of the derivative financial instruments equals the carrying amounts in accordance with the criteria set in the fair value hierarchy Level 2.

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**29. Fair value--Continued****Methodology for calculation of fair value of financial instruments--Continued**

The NDF contracts are measured at present value, at the market rate at the end of the reporting period, based on the future cash flow calculated by applying the contractual rates through maturity, considering the Euro projections in futures contracts registered with B3 S.A.

The fair value of financial assets and liabilities represents the amount by which the instrument could be exchanged between willing parties in an arm's length transaction, rather than in a forced sale or liquidation. The fair values of the main financial assets and liabilities approximate their carrying amounts, as shown below:

	Consolidated					
	2021			2020		
	Carrying amount	Fair value	Fair value hierarchy level	Carrying amount	Fair value	Fair value hierarchy level
Assets						
Amortized cost						
Cash and cash equivalents (Note 4)	21,820	21,820	2	27,530	27,530	2
Trade receivables, net (Note 6)	139,267	139,267	2	107,188	107,188	2
Fair value through profit or loss						
Cash and cash equivalents (Note 4)	89,770	89,770	2	192,140	192,140	2
Marketable securities (Note 5)	339,218	339,218	2	601,149	601,149	2
Inventories - Derivatives (Note 28)	147	147	2	300	300	2
Liabilities						
Amortized cost (with fair value disclosed)						
Loans and financings (Note 11)	790,270	820,920	2	830,776	868,901	2
Trade payables (Note 12)	247,917	247,917	2	217,616	217,616	2
Corporate payables (Note 17.2)	22,122	22,122	2	15,824	15,824	2

30. Share-based compensation plan

In the year ended December 31, 2021, the Company recognized the amount of R\$ 8,284 (R\$ 9,824 as at December 31, 2020) of expenses arising from the stock option plans, recorded in line item General and administrative expenses (Note 23).

The information on the stock option plan and assumptions used in the valuation are as follows:

Third Plan

The information on the stock option plan and assumptions used in the valuation are as follows:

	Third Plan								Total
	Tranches Prior	First tranche	Second tranche	Third tranche	Fourth tranche	Fifth tranche	Sixth tranche	Seventh tranche	
Issue date	6/22/2017	6/22/2017	6/22/2017	10/30/2019	10/30/2019	10/30/2019	10/30/2019	10/30/2019	N/A
Vesting date	-	7/14/2020	7/14/2021	7/14/2019	7/14/2020	7/14/2021	7/14/2022	7/14/2023	N/A
Strike price	-	10.82	10.82	10.82	11.37	12.14	12.95	13.82	N/A
Strike price (estimated) at the reporting period	-	5.98	5.98	5.98	5.98	5.98	5.98	5.98	5.98
Risk-free interest rate %	-	9.87%	10.24%	5.40%	4.42%	4.70%	5.19%	5.64%	N/A
Contractual period by tranche	-	1 year	2 years	N/A	1 year	2 years	3 years	4 years	N/A
Expected return of dividend	-	0%	0%	0.40%	0.40%	0.40%	0.40%	0.40%	N/A
Volatility of shares in the market %	-	14.91%	14.91%	23.47%	23.47%	23.47%	23.47%	23.47%	N/A
Total number of options granted	2,119,036	1,467,064	1,532,800	112,990	112,990	112,990	112,990	112,989	5,683,849
Number of options vested	2,119,036	1,467,064	2,500	112,990	112,990	112,990	-	-	3,927,570
Number of options lost/expired	148,700	491,929	534,200	28,800	28,800	28,800	28,800	28,800	1,318,829
Number of options exercised	1,871,542	68,236	2,500	-	-	-	-	-	1,942,278
Number of options to be vested	98,794	906,899	996,100	84,190	84,190	84,190	84,190	84,189	2,422,742
Estimated fair value (R\$/share)	-	1.08	1.53	7.88	7.62	7.45	7.49	7.64	N/A

Fourth Plan

The information on the stock option plan and assumptions used in the valuation are as follows:

	Fourth Plan				Total
	First Program	First Program	Second Program	Second Program	
Issue date	3/22/2019	3/22/2019	3/22/2019	3/22/2019	N/A
Vesting date	1/1/2022	1/1/2023	1/1/2023	1/1/2024	N/A
Price on granting	18.70	18.70	18.70	18.70	18.70
Total number of restricted shares	-	-	-	-	1,839,905
Total number of restricted shares granted	547,390	547,382	272,094	272,092	1,638,958
Number of restricted shares vested	-	-	-	-	-
Number of restricted shares lost/expired	165,714	165,712	87,343	87,342	506,111
Number of restricted shares exercised	-	-	-	-	-
Number of restricted shares to be exercised	381,676	381,670	184,751	184,750	1,132,847

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**30. Share-based compensation plan--Continued**Fifth Plan

The information on the stock option plan and assumptions used in the valuation are as follows:

	Fifth Plan				Total
	First Program	First Program	Second Program	Second Program	
Issue date	7/31/2020	7/31/2020	7/31/2020	7/31/2020	N/A
Vesting date	1/1/2024	1/1/2025	1/1/2025	1/1/2026	N/A
Price on granting	11.18	11.18	7.03	7.03	N/A
Total number of restricted shares	-	-	-	-	1,857,170
Total number of restricted shares granted	296,989	296,997	641,462	621,462	1,836,910
Number of restricted shares vested	-	-	-	-	-
Number of restricted shares lost/expired	24,291	24,292	-	-	48,583
Number of restricted shares exercised	-	-	-	-	-
Number of restricted shares to be exercised	272,698	272,705	621,462	621,462	1,788,327

Below we present the movement of the options of the third, fourth and fifth plans:

	Third Plan	Fourth Plan	Fifth Plan	Total
Outstanding as at December 31, 2019	3,741,571	1,638,958	-	5,380,529
Granted	-	-	593,986	593,986
Canceled	(475,704)	-	-	(475,704)
Exercised	-	-	-	-
Outstanding as at December 31, 2020	3,265,867	1,638,958	593,986	5,498,811
Granted	-	-	1,242,924	1,242,924
Canceled	(843,125)	(506,111)	(48,583)	(1,397,819)
Exercised	-	-	-	-
Outstanding as at December 31, 2021	2,422,742	1,132,847	1,788,327	5,343,916
Exercisable as at December 31, 2021 (vested) (Note 19)	2,254,363	-	-	2,254,363

31. Insurance

As at December 31, 2021, the Company had the following insurance policies in effect:

Insured location	Maximum indemnity limit
Civil Liability of Directors and Officers (D&O)	50,000
General Civil Liability (POSI)	40,000
Property (RO) – Average	11,104
Professional Civil Liability (E&O)	15,000

32. Events after the reporting period

32.1 Approval of the share buyback program

On January 6, 2022 through a material fact, the Company informed the approval of the buyback program of its shares, in order to maximize the generation of value for its shareholders.

The shares acquired may be held in treasury, and may subsequently be canceled, sold and/or used to back up the exercise of long-germ incentive plans approved by the Company.

The ceiling of shares to be acquired by the Company under the share buyback program is up to 16,000,000 common shares, representing approximately 6.00% of the shares outstanding in the market.

In line with the approval of the aforementioned program, in January 2021 the Company repurchased the total 2,000 common shares at the average price of R\$5.40, amounting to R\$10,809, including brokerage and regulatory agencies fees.

32.2 Resignation of the Vice President of Development

On January 28, 2022, the Company informed through a Notice to the Market that Mr. Gustavo do Valle Fehlberg presented to the Company's Board of Directors the resignation of the position of Vice President of Development to take on a new challenge in a private company outside the restaurant industry and remained in office until February 14, 2022.

Therefore, the Board of Directors elected Mr. Fabio Chaves de Arruda Alves, current Vice President of the Legal Department, to assume the position of Vice President of Development.

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Officer's Statement on the Financial Statements

STATEMENT OF COMPLIANCE WITH ARTICLE 25, PARAGRAPH 1, ITEM VI, OF CVM INSTRUCTION 480/09

We state hereby, as executive officers of BK Brasil Operação e Assessoria a Restaurantes S.A., a publicly-held corporation headquartered in the City of Alphaville – Barueri, State of São Paulo, at Alameda Tocantins, 350, 11^o floor, registered under the Corporate Taxpayer's ID (CNPJ) No. 13.574.594/0001-96 ("Company") that, in compliance with the provisions of item VI, paragraph 1, of article 25 of CVM Instruction 480 of December 7, 2009, we have reviewed, discussed and agreed with the Company's financial statements for the year ended December 31, 2021.

Barueri, February 24, 2022.

Iuri de Araújo Miranda

Chief Executive Officer

Gabriel Magalhães da Rocha Guimarães

Chief Financial and Investor Relations Officer

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Officers' Statement on the Independent Auditor's Report

STATEMENT OF COMPLIANCE WITH ARTICLE 25, PARAGRAPH 1, ITEM VI, OF CVM INSTRUCTION 480/09

We state hereby, as executive officers of BK Brasil Operação e Assessoria a Restaurantes S.A., a publicly-held corporation headquartered in the City of Alphaville – Barueri, State of São Paulo, at Alameda Tocantins, 350, 11º floor, registered under the Corporate Taxpayer's ID (CNPJ) No. 13.574.594/0001-96 ("Company") that, in compliance with the provisions of item VI, paragraph 1, of article 25 of CVM Instruction 480 of December 7, 2009, we have reviewed, discussed and agreed with the opinions expressed in the independent auditor's report of Ernst & Young Auditores Independentes S.S., referring to the Company's financial statements for the year ended December 31, 2021.

Barueri, February 24, 2022.

Iuri de Araújo Miranda

Chief Executive Officer

Gabriel Magalhães da Rocha Guimarães

Chief Financial and Investor Relations Officer

SUMMARY OF THE AUDIT COMMITTEE REPORT

CONSOLIDATED FINANCIAL STATEMENTS OF BK AT December 31, 2021

The Audit Committee of BK Brasil Operação e Assessoria a Restaurantes S.A. (BKB) is a permanent advisory body to the Board of Directors. Its functioning, composition and attributions are governed by the Internal Rules of the Audit Committee (<http://burgerking.riweb.com.br/>), which is reviewed annually and approved by the Board of Directors.

The Audit Committee is made up of three members elected by the Board of Directors and its coordinator is an independent member of the Board of Directors. The coordinator is a financial specialist with experience in the corporate-accounting, financial, internal controls and audit areas; another independent member is also a specialist in these areas. The third member of the committee, not independent, is a specialist in the Quick Service Restaurants business.

At least four ordinary meetings are scheduled annually. Extraordinary meetings are called when necessary. The Company's Executive Board is invited to participate in order to provide clarifications and presentations, when considered relevant and necessary, as well as the independent auditors, those responsible for the Compliance area and any professionals of other areas of the Company. The Internal Audit Manager is an integral part of all meetings since she reports directly to the Committee.

In every ordinary meeting of the Board of Directors, the Coordinator of the Audit Committee reports the Committee's activities to its members. Relevant or extraordinary facts are timely communicated to the Board, whenever the Committee's collegiate body deems it necessary.

In 2021, eighteen (18) meetings were held (2020: thirteen (13)), being twelve (12) ordinary meetings (2020: four (4)) and six (6) extraordinary meetings (2020: nine (9)). Its activities during that period are described below:

Monitoring of Internal Audit activities: In 2021, the Internal Audit performed 100% of the work planned for the year, in addition to other extraordinary activities. As part of its work, the Internal Audit held meetings with Management in order to align the audit points and its action plans.

During the year, all work of the Internal Audit was shared with the Audit Committee, which made recommendations to improve the scope and object of the work and to improve the company's internal control system and risk management.

During the year ended, training was provided for the entire team, with an emphasis on specific issues of the Internal Audit career.

The Committee carried out the formal assessment of the internal audit. Recommendations for improvement were discussed with the person in charge of the area.

Monitoring of External Audit activities: Ernst & Young Auditores Independentes (EY) is the company responsible for auditing the financial statements for the year 2021, for planning and performing its work in accordance with auditing standards, and is also responsible for the limited reviews of quarterly financial information (ITRs) sent to the Securities and Exchange Commission of Brazil - CVM.

The Audit Committee held ordinary and extraordinary meetings with the Independent Auditors for discussion of the audit planning and main risks identified, presentation of the work performed, any relevant concerns and relationship with Management and issues related to internal controls.

The Company reviewed its Policy for hiring independent audit services. This policy was approved by the Board of Directors on May 5, 2021. The contracting of any other services not provided for in the Policy is approved by the Audit Committee. In 2021, EY was engaged for issuance of reasonable assurance on the consolidated pro forma financial information related to the project for acquisition of Domino's Brasil, in an amount equivalent to 27,6% of the fees for the audit of the financial statements.

The Committee carried out a formal assessment of the independent auditors and concluded that they maintained their independence and objectivity throughout 2021. The Committee recommended to the Board of Directors the change of the independent audit firm of BKB for 2022, in order to comply with the regulatory rotation. The board recommended to the Audit Committee the appointment of PwC as the company's independent auditors as from January 1, 2022, recommendation that was accepted by the Audit Committee and approved by the Board of Directors.

Monitoring of the quarterly and annual financial statements: On a quarterly basis, the Executive Board presents BKB's financial statements to the Audit Committee, discussing its performance and variations. Also on a quarterly basis, the Committee meets with the independent auditors, who present their conclusions on the financial statements for each quarter, making the observations they deem relevant.

Monitoring of the Company's business and the internal control environment: Through periodic meetings with the Company's officers, the Audit Committee analyzes and monitors the effectiveness of the Company's internal control system based primarily on the results of the work performed by the Internal Auditors and Independent Auditors and discussions with the Internal Controls, Risk and Compliance area.

Monitoring of communications received through the Whistleblower Channel: The Company's Whistleblowing Channel is outsourced to a specialized company. The reported cases are sent to the Compliance Area, which investigates them. Periodically the Compliance area presents to the Audit Committee an overview of the reported and investigated cases. The Internal Audit also participates in the Audit Committee and monitors the analyses performed. Any reported cases related to fraud are timely informed to the Audit Committee. The process of investigation and monitoring of reported cases is defined through a Manual for Handling of Reported Cases and a Regulation of the Conduct Committee. These materials were reviewed and approved by the Audit Committee and by the Board of Directors in their meeting of February 12, 2020. In 2021, the Coordinator of the Audit Committee, which is a member of the Conduct Committee, recommended that communications received through the confidential channel involving senior management (CEO and Vice Presidents), the Board of

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Directors and members of the Audit Committee, be submitted to the Coordinator of the Audit Committee, and those related to such Coordinator be submitted to the Chairman of the Board of Directors. These cases are primarily received by an independent company, which performs an initial screening and forwards to the appropriate areas for taking of actions.. The Audit Committee has its own budget for hiring investigation services.

Conclusion: The Audit Committee, considering its attributions and also the natural limitations inherent to the scope of its operation, based on the information and discussions mentioned above and based on the unmodified report issued by Ernst Young Auditores Independentes dated February 24, 2022, recommended to the Board of Directors the approval of the financial statements of BK Brasil Operações e Assessorias a Restaurantes S.A. for the year ended December 31, 2021.

São Paulo, February 24, 2022.

Henrique F. Luz

Coordinator of the Audit Committee

Thiago Temer Santelmo

Jorge Roberto Manoel