Financial Statements

BK Brasil Operação e Assessoria a Restaurantes S.A.

December 31, 2017
with Independent Auditor's Report

HIGHLIGHTS

Performance 2017x2016: First net profit reported by the Company

- Net Operating Revenue of R$ 1,784 million in 2017, up 28.0% from 2016;
- Comparable sales in same restaurants grew 13.8% in 2017, up 390 bps from 2016;
- Adjusted EBITDA[1] of R$ 211 million in 2017, growing 57.4% from 2016, driven by strong sales growth and cost efficiency;
- Adjusted EBITDA Margin rose to 11.8%, from 9.6% in 2016;
- Net Income of R$4 million in 2017, compared to a loss of R$94 million in 2016 - the first annual net profit for the Company since its inception in 2011;
- Total of 108 restaurants opened in 2017 (64 company owned), driven the total restaurant count to 697.

Financial highlights - R$ Million (consolidated)	2017	2016	Var.
Net operating revenue	1,783.8	1,393.3	28.0%
Adjusted EBITDA[1]	210.7	133.9	57.4%
% of net operating revenue	*11.8%*	*9.6%*	*220bps*
Profit for the year	3.8	(93.5)	-
Gross debt	485.7	608.0	-20.1%
Net debt	(706.3)	275.3	-
Equity	1,617.2	540.3	199.3%

*For the calculation of Adjusted EBITDA the following are excluded: depreciation and amortization expenses, disposals of property and equipment, result from claims, cost of stock option plan and expenses on acquisition and merger.

MESSAGE FROM MANAGEMENT

The year 2017 represented a relevant milestone in the history of BURGER KING® in Brazil. We held the Initial Public Offering (IPO) at the B3 on December 18, 2017. The proceeds from the offering will enable us to continue with our strong growth, implement new services and technological innovations aimed at increasing sales and margins, as well as analyzing new opportunities in the industry.

In operational terms, in 2017 we maintained our strong national expansion pace, with the opening of 108 restaurants, positioning the brand in all states of the country. Our results maintained the strong trend of sales growth and profitability improvement, proving once more our execution capacity combined with the strict cost control and operating leverage. During 2017, the Company has achieved a net operating revenue of R$1,784 million (+28.0% versus 2016), supported by a comparable sales growth in the same restaurants of 13.8%. This comparable sales growth, which accelerated compared to 2016 (of 9.9%), was a result of our ongoing increase in brand preference, which can be partly attributed to a higher customer satisfaction level, increased speed service, and our active marketing calendar with highlights to the campaigns: “2 por R$15”, Grill Dog, Costela, Épicanha, Mega Stacker Atômico, Halloween and Black Friday.

MESSAGE FROM MANAGEMENT--Continued

In terms of profitability, we achieved an adjusted EBITDA of R$211 million, which represented a solid growth of 57.4% against 2016 and an adjusted EBITDA margin of 11.8% (+220 bps versus 2016), demonstrating once more the Company's strong operating leverage and strict cost control. Furthermore, 2017 was marked as the turning point for the Company in terms of bottom line. BK Brasil has achieved a net profit of R$4 million, compared to a loss of R$94 million in 2016, benefiting primarily from strong operating and financial results, due to lower financial leverage and lower interest rates.

Pursuing to consolidate BURGER KING® as Brazil's preferred fast food and most profitable brand, we also implemented a robust and modern POS (point of sale) software platform in 2017, which allowed us to integrate new sales channels to our customers, such as the delivery service that is already present in more than 40 restaurants. We are also in the process of finalizing the acquisition of a franchisee with a total of 51 BURGER KING® restaurants and 20 dessert kiosks. The combination of these initiatives, with our continuous expansion of new restaurants and by maintaining a comparable restaurant sales growth pace above the industry average, brings us the confidence that we will maintain a solid operating performance in 2018.

OPERATING AND FINANCIAL PERFORMANCE

Expansion of the restaurant chain

Throughout 2017, BURGER KING® opened 108 new restaurants, of which 64 are company owned restaurants and 44 are franchisees. Considering only company owned BK Brasil restaurants, net of transfers (8 restaurants) and closures (10 restaurants), the Company closed the year with a total of 526 company owned restaurants, an increase of 46 restaurants against 2016. As for the restaurants operated by franchisees, BURGER KING® ended the year with 171 restaurants. Thus, the BURGER KING® system ended 2017 with a total of 697 restaurants in operation in the country.

During 2017 the brand was able to significantly expand its geographical presence and is now present in all states of the country. For 2018, we believe that it is possible to keep the pace of development of new restaurants, with a major focus on company owned restaurants (free standing) in major regions and cities of the country in addition to accelerating the opening of new dessert kiosks.

Operational highliths	2017	2016	Var.
# Total restaurants	**697**	**601**	**96**
Company-owned restaurants			
# Company-owned restaurants at the beginning of the period	480	419	61
Opening of new restaurants	64	56	8
Closings	(10)	(3)	(7)
Acquisitions/transfers* of restaurants	(8)	8	(16)
# Company-owned restaurants at the end of the period	**526**	**480**	**46**
Restaurants of franchisees			
# Restaurants of franchisees at the beginning of the period	121	112	9
Opening of new restaurants	44	18	26
Closings	(2)	(1)	(1)
Acquisitions/transfers* of restaurants	8	(8)	16
# Restaurants of franchisees at the end of the period	**171**	**121**	**50**
Comparable sales of same restaurants	**13,8%**	**9,9%**	**390bps**

*Sale of restaurants to franchisees.

Net operating revenue

In 2017, the net operating revenue reached R$1,784 million, representing an increase of 28.0% compared to 2016, while the comparable sales growth in the same restaurants accelerated to 13.8%, compared to 9.9% in 2016. We believe that this is due to the openings of new restaurants and maturation of the units opened in 2016, continuous brand consolidation in the country and the Company's marketing strategy.

Cost of sales and selling expenses

In 2017, the cost of sales represented 38.6% of the net operating revenue, an increase of 80 bps compared to 2016, due to a challenging environment and a consumer more sensitive to prices and promotions. The selling expenses of restaurants (excluding depreciation and amortization) accounted for 46.2% of the net operating revenue, a reduction of 270 bps in comparison with 2016, due to the dilution of fixed costs in the restaurants.

Total general and administrative expenses

In 2017, general and corporate administrative expenses accounted for 3.7% of the net operating revenue, a reduction of 40bps against 2016, reflecting the Company's operating leverage and the focus on efficiency. These expenses totaled R$66 million in 2017, an increase of 15.6% due to higher personnel expenses as a result of an increase in the corporate team to support the opening of new restaurants. General and administrative expenses totaled R$95 million (+25.6% against 2016), impacted by higher expenses on disposal of assets in 4T17.

Adjusted EBITDA[1]

In 2017, the adjusted EBITDA pointed to an increase of 57.4%, rising from R$134 million to R$211 million. Growth in adjusted EBITDA was due to the increase in net operating revenue, due to the increase in the number of restaurants and a strong comparable sales growth in the same restaurants as well as the continued focus on cost control.

For 2017, the adjusted EBITDA margin was 11.8%, 220 bps higher compared with the previous year.

EBITDA - R$ Million	2017	2016	Var.%
Income (Loss) for the period	**3,8**	**(93,5)**	**-**
(+) Financial income (expense), net	56,3	100,5	-44,0%
(+) Depreciation and amortization	119,7	103,4	15,8%
(+/-) Income tax and social contribution	5,2	7,7	-32,5%
EBITDA	**185,0**	**118,2**	**56,5%**
EBITDA Margin	*10,4%*	*8,5%*	*190bps*
(+) Others expenses*	11,9	6,3	88,9%
(+) Expenses of stock option plan	5,5	0,3	-
(+) Expenses on Merger and Acquisition	2,1	2,8	-24,1%
(+) Preoperating expenses	6,1	6,3	-1,9%
Adjusted EBITDA [1]	**210,7**	**133,9**	**57,4%**
Adjusted EBITDA Margin	*11,8%*	*9,6%*	*220bps*

** Considers disposals of property and equipment (claims, obsolence, proceeds from sale of asset and impairment).*

Profit

In 2017, we reversed the loss of R$94 million from the previous year to a R$4 million profit in the period. 2017 results proved to be a turning point in terms of profit for the company, which for the first time since its establishment in 2011, achieved a positive amount, reflecting strong operating leverage, profitability of the existing portfolio of restaurants, decrease in finance costs and non-realization of accounting expenses (non-cash) related to the operations of franchisee acquisitions, which impacted prior years.

1 "Adjusted EBITDA" is a non-accounting measure used by the Company, which represents the EBITDA adjusted to pre-operating expenses, expenses with mergers and acquisitions and other expenses, which in the Company Management's view are not part of normal business operations and/or distort the Company's performance analysis, including: (i) disposals of property, plant and equipment (losses, obsolescence, revenue from the sale of assets and impairment); and (ii) costs of tock purchase option plan.

RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with CVM Instruction No. 381/2003 and Circular Letter SNC/SEP No. 01/2007, the Company informs that during 2017, the independent auditors (ERNST & YOUNG Auditores Independentes S.S. (EY)), in addition to the external audit services, also provided additional services relating to the issuance of Comfort Letters, connected with the IPO process, due diligence services and provision of tax services, which totaled R$1.6 million or 76.4% of the total amount contracted for external audit services.

The Company and its joint ventures 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.

EY stated that the provision of services was performed in strict compliance with the accounting standards that deal with the independent auditors' independence in audit work and did not represent a situation that could affect the independence and objectivity in the performance of their external audit services.

Barueri, March 6, 2018.

Board of Executive Officers

BK Brasil Operação e Assessoria a Restaurantes S.A.

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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

Independent auditor's report on individual and consolidated financial statements

To the
Shareholders, Board of Directors and Officers 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 balance sheets as of December 31, 2017, and the statements of operations, of comprehensive income (loss), of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the accompanying individual and consolidated 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, 2017, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with the accouting 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 year. 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 express a separate opinion on these matters. For each subject below, a description of how our audit has addressed the matter, including any comments on the results of our procedures, is presented in the context of the overall financial statements.

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

· Analysis of recoverability of intangible assets with indefinite useful lives

In accordance with the accouting practices adopted in Brazil and IFRS, the Company shall test annually the recoverability of intangible assets with indefinite useful lives, which are represented by goodwill on acquisitions of subsidiaries amounting to R$184,917 thousand, in the Parent company, and R$202,083 thousand, in the Consolidated, representing 7.7% and 8.4% of the total assets, respectively, as of December 31, 2017. The methodology and model used to calculate the recoverable amount of these assets were based on the Company's discounted cash flow in which subjective assumptions were used by Management, involving a reasonable degree of judgment, information and expected market and economic conditions, mainly with respect to the growth of sales and costs, discount rates and country risk.

The monitoring of this matter was considered of significance for our audit due to the materiality of the amounts involved in relation to total assets and the potential risks to the Company's results in the event an impairment of these assets is identified, and the uncertainties inherent in determining the expected recoverable amounts, given the use of market information and high degree of judgment exercised by Management in determining the assumptions for the calculation. A change in any of these assumptions may have a material impact on the financial statements.

How our audit conducted this matter:

Our audit procedures included, but were not limited to, (i) the involvement of valuation specialists to assist us in the review of the methodology and models used, the assessment of assumptions and calculations used to measure the recoverable amount of these assets, including the reasonableness between the data used by the Company and the comparative market data, as well as the analysis of the internal and external sources of such information, in addition to the arithmetical calculations of the models; (ii) the analysis of the information that could contradict the most significant assumptions, the recoverable amounts and the selected methodologies, and also the analysis of accuracy of data such as: expected growth of revenue, operating costs, results, EBITDA and discount rates; and (iii) the performance of tests on costs that were added during the year.

Additionally, we evaluated an adequacy of the Company's disclosures on the matter, included in Note 13 to the financial statements as of December 31, 2017.

Based on the results of the audit procedures performed on the analysis of recoverabilitiy of the intangible assets with indefinite useful lives, which is consistent with an evaluation of the Management, considering the criteria and assumptions for a determination of intangible assets adopted by Management, as well as respective disclosure in Note 13, are acceptable, in the context of the overall financial statements.

Other matters

Statement of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2017, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were subject to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we assessed whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared in all material respects in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the overall individual and consolidated financial statements.

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

The Company management is responsible for other information, including 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 thereon.

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accouting practices adopted in Brazil and 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 from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management 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 Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the Company and its subsidiaries are responsible for overseeing the 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 from 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:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management'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 ability of the Company and its subsidiaries 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 and its subsidiaries to cease to continue as a going concern.

· Evaluate 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 planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to those charged with governance a statement that we complied with all relevant ethical requirements, including the requirements applicable to independence, and communicated all eventual relationships and matters which could considerably affect our independence, including, if applicable, the respective safeguards.

From the matters communicated with those charged with governance, we determined those which were considered of most significance in the audit of the financial statements of the current year and therefore are the key audit matters. We describe these matters in our audit report, unless a law or a regulation precludes the public disclosure of such matter, or when, in extremely rare circumstances, we determine that the matter must not be communicated in our report due to the fact that the adverse consequences of such disclosure may, within a reasonable perspective, overcome the benefits of the disclosure to public interest.

São Paulo, March 6, 2018.

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

Marcos Alexandre S. Pupo
Accountant CRC-1SP221749/O-0

BK Brasil Operação e Assessoria a Restaurantes S.A.

Balance sheets
December 31, 2017 and 2016
(Amounts in thousands of reais)

	Notes	Parent company 2017	Parent company 2016	Consolidated 2017	Consolidated 2016
Assets					
Current Assets					
Cash and Cash Equivalents	5	**102,235**	253,445	**102,345**	256,920
Marketable Securities	6	**1,073,900**	63,495	**1,073,900**	63,495
Restricted Marketable Securities	6	**2,484**	1,846	**2,484**	1,846
Trade Receivables, Net	7	**60,958**	32,671	**60,958**	33,658
Derivative Financial Instruments	32	**127**	-	**127**	-
Inventories	8	**39,743**	30,846	**39,743**	30,846
Taxes Recoverable	9	**22,448**	25,510	**24,993**	28,566
Advances Paid	10	**24,762**	8,712	**24,762**	8,712
Related Parties	21	**2,162**	2,162	**-**	-
Other Receivables		**8,966**	4,789	**9,136**	4,957
Total Current Assets		**1,337,785**	423,476	**1,338,448**	429,000
Non-Current Assets					
Restricted Marketable Securities	6	**13,285**	10,415	**13,285**	10,415
Taxes Recoverable	9	**17,282**	11,694	**17,282**	11,694
Judicial Deposits	20	**26,537**	13,896	**26,566**	13,925
Other Receivables		**4,218**	3,432	**4,218**	3,447
Investments	11	**17,965**	56,887	**-**	-
Property and Equipment, Net	12	**695,647**	640,647	**699,642**	650,975
Intangible Assets, Net	13	**293,523**	249,825	**316,114**	309,006
Total Non-Current Assets		**1,068,457**	986,796	**1,077,107**	999,462
Total Assets		**2,406,242**	1,410,272	**2,415,555**	1,428,462
Liabilities					
Current liabilities					
Loans and Financings	14	**209,987**	602,919	**209,987**	607,973
Trade and Rental Payables	15	**138,953**	80,373	**138,997**	80,406
Payroll and Social Charges		**69,830**	56,028	**69,830**	56,028
Corporate Payables	16	**13,966**	20,598	**13,966**	20,598
Taxes Payable	17	**16,023**	10,234	**20,272**	15,717
Deferred Revenue, Net	18	**-**	9,000	**-**	9,000
Related Parties	21	**74**	535	**-**	-
Derivative Financial Instruments	32	**-**	356	**-**	356
Other Payables	19	**19,937**	9,536	**19,946**	9,538
Total Current Liabilities		**468,770**	789,579	**472,998**	799,616
Non-Current Liabilities					
Loans and Financings	14	**275,720**	-	**275,720**	-
Provision for Legal Claims	20	**6,221**	3,932	**6,221**	3,932
Taxes Payable	17	**28**	1,072	**5,113**	9,225
Contingent Consideration of Acquisitions	4.1	**-**	45,983	**-**	45,983
Deferred Taxes	30	**38,309**	28,789	**38,309**	28,789
Other Payables	19	**-**	597	**-**	597
Total Non-Current Liabilities		**320,278**	80,373	**325,363**	88,526
Equity	22				
Capital		**895,836**	1,506	**895,836**	1,506
Capital Reserve and Stock Options Plan		**915,722**	736,997	**915,722**	736,997
Accumulated Losses		**(194,364)**	(198,183)	**(194,364)**	(198,183)
Total Equity		**1,617,194**	540,320	**1,617,194**	540,320
Total Liabilities and Equity		**2,406,242**	1,410,272	**2,415,555**	1,428,462

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of operations
Years ended December 31, 2017 and 2016
(Amounts in thousands of reais, except earnings (loss) per share in reais)

		Parent company		Consolidated	
	Notes	**2017**	**2016**	**2017**	**2016**
Net Operating Revenue	**24**	**1,783,838**	1,351,730	**1,783,838**	1,393,284
Costs of Sales	**25**	**(687,871)**	(508,033)	**(687,871)**	(526,302)
Gross Profit		**1,095,967**	843,697	**1,095,967**	866,982
Operating Expenses					
Expenses with Stores	**26**	**(934,188)**	(756,718)	**(935,209)**	(776,163)
General and Administrative Expenses	**27**	**(95,374)**	(73,083)	**(95,450)**	(75,999)
Equity pickup	**11**	**(1,972)**	(4,216)	**-**	-
Profit (Loss) Before Finance Income (Expenses) and Taxes		**64,433**	9,680	**65,308**	14,820
Financial Expenses	**28**	**(83,428)**	(136,955)	**(84,689)**	(142,073)
Financial Income	**29**	**28,039**	41,195	**28,425**	41,534
Financial Income (Expenses), Net		**(55,389)**	(95,760)	**(56,264)**	(100,539)
Profit (Loss) Before Income Tax and Social Contribution		**9,044**	(86,080)	**9,044**	(85,719)
Income Tax and Social Contribution	**30**	**(5,225)**	(7,376)	**(5,225)**	(7,737)
Profit (Loss) for the Year		**3,819**	(93,456)	**3,819**	(93,456)
Basic Earnings (Loss) per Share (R$)	**23**	**0.00002**	(0.0007)	**0.00002**	(0.0007)
Weighted Average Number of Shares	**23**	**158,476,527**	125,650,600	**158,476,527**	125,650,600
Diluted Earnings (Loss) per Share (R$)	**23**	**0.00002**	(0.0007)	**0.00002**	(0.0007)
Weighted Average Number of Shares	**23**	**161,307,427**	125,650,600	**161,307,427**	125,650,600

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of comprehensive income (loss)
Years ended December 31, 2017 and 2016
(Amounts in thousands of reais)

	Parent company and Consolidated	
	2017	**2016**
Profit (Loss) for the Year	**3,819**	(93,456)
Total Comprehensive Income (Loss), net of taxes	**3,819**	(93,456)

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of changes in equity
Years ended December 31, 2017 and 2016
(Amounts in thousands of reais)

			Capital reserves					
Description	Notes	Issued capital	Unpaid capital	Capital reserve Premium on issue of Shares	Share issue costs	Stock option plan	Accumulated losses	Total equity
As of December 31, 2015		1,132	-	549,750	(7,720)	-	(104,727)	438,435
Capital contribution 8/5/2016	**22**	12	-	9,650	-	-	-	9,662
Capital contribution 8/8/2016	**22**	362	(150,000)	349,638	-	-	-	200,000
Share issue cost 9/12/2016	**22**	-	-	-	(13,827)	-	-	(13,827)
Share issue cost 9/28/2016	**22**	-	-	-	(798)	-	-	(798)
Stock option plan	**34**	-	-	-	-	304	-	304
Loss for the year		-	-	-	-	-	(93,456)	(93,456)
As of December 31, 2016		1,506	(150,000)	909,038	(22,345)	304	(198,183)	540,320
Capital contribution 8/8/2017	**22**	**-**	**150,000**	**-**	**-**	**-**	**-**	**150,000**
Capital contribution 11/22/2017	**22**	**4,252**	**-**	**43,032**	**-**	**-**	**-**	**47,284**
Capital contribution 11/23/2017	**22**	**3,925**	**-**	**28,753**	**-**	**-**	**-**	**32,678**
Capital contribution 12/14/2017 - IPO	**22**	**886,153**	**-**	**-**	**-**	**-**	**-**	**886,153**
Share issue cost - IPO	**22**	**-**	**-**	**-**	**(48,578)**	**-**	**-**	**(48,578)**
Stock option plan	**34**	**-**	**-**	**-**	**-**	**5,518**	**-**	**5,518**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**3,819**	**3,819**
As of December 31, 2017		**895,836**	**-**	**980,823**	**(70,923)**	**5,822**	**(194,364)**	**1,617,194**

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of cash flows
Years ended December 31, 2017 and 2016
(Amounts in thousands of reais)

	Parent company		Consolidated	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Profit (Loss) Before Income Tax and Social Contribution	**9,044**	(86,080)	**9,044**	(85,719)
Depreciation and Amortization of Property and Equipment and Intangible Assets (Notes 12, 13, 26 and 27)	**118,753**	100,872	**119,697**	103,396
Provision for Bonuses	**24,891**	17,843	**24,891**	17,843
Equity pickup (Note 11)	**1,972**	4,216	**-**	-
Interest, Charges, Exchange and Monetary Differences	**67,414**	67,639	**67,414**	67,639
Provision for Legal Claims (Note 20)	**5,268**	2,188	**5,268**	2,188
Disposal of Property and Equipment and Intangible Assets (Notes 12, 13 and 27)	**26,980**	3,627	**27,025**	5,022
Adjustment to the Contingent Consideration Payable Balance (Note 28)	**9,527**	18,669	**9,527**	18,669
Stock Options Cost (Notes 27 and 34)	**5,518**	304	**5,518**	304
Provision for Impairment (Notes 12 and 27)	**(4,627)**	1,049	**(4,627)**	1,049
	264,740	130,327	**263,757**	130,391
Changes in Assets and Liabilities				
Trade Receivables, Net	**(27,373)**	(7,398)	**(27,300)**	(5,593)
Inventories	**(8,897)**	(12,786)	**(8,897)**	(11,922)
Taxes Recoverable	**(2,209)**	(18,611)	**(2,015)**	(20,097)
Advances Paid	**(16,050)**	4,883	**(16,050)**	3,959
Derivative Financial Instruments	**(127)**	15,196	**(127)**	15,196
Related Parties Assets	**-**	4,187	**-**	4,187
Other Receivables	**(17,559)**	757	**(17,591)**	3,245
Trade and Rental Payables	**58,580**	(432)	**58,591**	(4,021)
Payroll and Social Charges	**(11,089)**	(11,901)	**(11,089)**	(15,257)
Corporate Payables	**(6,632)**	(2,211)	**(6,632)**	(3,987)
Taxes Payable	**6,078**	(2,139)	**1,776**	(3,264)
Income Tax and Social Contribution Paid	**-**	-	**-**	(176)
Deferred Revenue, Net	**(9,000)**	8,754	**(9,000)**	8,754
Related Parties Liabilities	**(461)**	-	**-**	-
Derivative Financial Instruments Liability	**(356)**	356	**(356)**	356
Legal Claims (Note 20)	**(2,979)**	(1,091)	**(2,979)**	(1,091)
Other Payables	**12,927**	2,777	**12,640**	8,055
Payment of Interest on Loans and Financings	**(68,201)**	(79,905)	**(68,201)**	(79,906)
Net Cash from Operating Activities	**171,392**	30,763	**166,527**	28,829
Cash Flows from Investing Activities				
Consideration Paid in Acquisition of Investments (Note 4.2)	**-**	(18,133)	**-**	(18,133)
Advance for Future Capital Increase in Subsidiaries (Note 11)	**(2,438)**	(30,468)	**-**	-
Purchases of Property and Equipment (Note 12)	**(172,237)**	(138,174)	**(172,237)**	(140,226)
Purchases of Intangible Assets (Note 13)	**(24,751)**	(33,879)	**(25,634)**	(34,383)
Cash from Merger / Acquisition	**55**	144	**-**	658
Investment in Marketable Securities	**(1,304,907)**	(154,835)	**(1,304,907)**	(154,832)
Redemption of Marketable Securities	**294,383**	142,134	**294,383**	142,133
Net Cash from Investing Activities	**(1,209,895)**	(233,211)	**(1,208,395)**	(204,783)
Cash Flows from Financing Activities				
Capital Contributed in the Period	**841,500**	374	**841,500**	374
Share Premium Increase, Net of Issuance Costs	**178,753**	194,359	**178,753**	194,359
Payment of Contingent Consideration and Payables of Acquisition of Subsidiaries	**(11,616)**	(13,076)	**(11,616)**	(13,076)
New Loans and Financings	**-**	393,019	**-**	393,019
Loans and Financings Costs	**-**	(13,622)	**-**	(13,622)
Payment of Loans and Financings (Principal)	**(121,344)**	(269,196)	**(121,344)**	(292,981)
Net Cash from Financing Activities	**887,293**	291,858	**887,293**	268,073
Net Increase (Decrease) in Cash and Cash Equivalents	**(151,210)**	89,410	**(154,575)**	92,119
Cash and Cash Equivalents				
Cash and Cash Equivalents at the End of the Year (Note 5)	**102,235**	253,445	**102,345**	256,920
Cash and Cash Equivalents at the Beginning of the Year (Note 5)	**253,445**	164,035	**256,920**	164,801
Net Increase (Decrease) in Cash and Cash Equivalents	**(151.210)**	89,410	**(154.575)**	92,119

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of value added
Years ended December 31, 2017 and 2016
(Amounts in thousands of reais)

	Parent company		Consolidated	
	2017	2016	2017	2016
Revenues	**1,966,260**	1,478,063	**1,966,260**	1,522,451
Gross Sales of Goods and Services (Note 24)	**1,932,761**	1,467,473	**1,932,761**	1,512,033
Discounts and Cancelations	**(107)**	(134)	**(107)**	(307)
Other Revenues	**33,606**	10,724	**33,606**	10,725
Inputs Purchased from Third Parties	**(1,121,671)**	(855,720)	**(1,121,822)**	(886,502)
Cost of Sales and Services	**(687,871)**	(508,033)	**(687,871)**	(526,302)
Materials, Electric Power, Outside Services and Other Expenses	**(411,348)**	(342,335)	**(411,499)**	(353,170)
Impairment of Assets (Note 27)	**(22,353)**	(4,675)	**(22,398)**	(6,071)
Other Costs	**(99)**	(677)	**(54)**	(959)
Gross Value Added	**844,589**	622,343	**844,438**	635,949
Retentions	**(118,753)**	(100,872)	**(119,697)**	(103,396)
Depreciation and Amortization (Notes 12, 13, 26 and 27)	**(118,753)**	(100,872)	**(119,697)**	(103,396)
Wealth Created by the Company	**725,836**	521.471	**724,741**	532.553
Wealth Received in Transfer	**27,327**	37,774	**29,685**	42,328
Equity pickup (Note 11)	**(1,972)**	(4,216)	**-**	-
Financial Income (Note 29)	**29,299**	41,990	**29,685**	42,328
Total Wealth for Distribution	**753,163**	559,245	**754,426**	574,881
Wealth Distributed	**753,163**	559,245	**754,426**	574,881
Personnel Expenses	**314,267**	243,129	**314,267**	247,595
Salaries and Wages and Benefits	**295,591**	227,995	**295,591**	231,987
FGTS (Severance Pay Fund)	**18,676**	15,134	**18,676**	15,608
Taxes, Fees and Contributions	**221,185**	178,520	**221,187**	181,351
Federal	**162,655**	134,538	**162,657**	136,206
State	**51,750**	38,147	**51,750**	39,184
Municipal	**6,780**	5,835	**6,780**	5,961
Lenders and Lessors	**213,892**	231,052	**215,153**	239,391
Financial Expenses (Note 28)	**82,964**	135,872	**84,225**	140,503
Rentals	**130,928**	95,180	**130,928**	98,888
Shareholders	**3,819**	(93,456)	**3,819**	(93,456)
Profit (Loss) for the Year	**3,819**	(93,456)	**3,819**	(93,456)

See accompanying notes.

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 Rio Negro, 161 - Alphaville - Barueri - State of São Paulo (SP), engaged in:i) development and operation of "Burger King" restaurants in Brazil; (ii) 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.

On April 6, 2011, CMNPAR Seventeen Participações S.A. ("CMNPAR") was established with a subscribed and paid-up capital of R$500.00 (five hundred reais), and on June 29, 2011, CMNPAR received a capital contribution from Burger King do Brasil Assessoria a Restaurantes Ltda. ("Burger King Brasil") and had its name changed to BK Brasil Operação e Assessoria a Restaurantes S.A. In addition, the predecessor shareholders waived their rights to subscribe to new shares and transferred these rights to Burger King Brasil.

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 has a term of twenty years, renewable for additional twenty years, if the parties intend to (Note 21).

The Company obtained from Burger King Corporation, owner of the Burger King brand, a franchise for 20 years counted from each store's opening date. In the opening of each store, the following are paid:

<u>Franchise fee:</u>

· *Free Standing/ Food Court/ in Line at US$45 thousand;*

· *Express at US$30 thousand;*

· *Kiosk at US$5 thousand;*

· *Royalties:* 5% of net revenue;

· Marketing fund of 5% of net revenue.

On December 18, 2017, the Company went public on the stock exchange and its shares are traded on B3 S.A. - Brasil, Bolsa, Balcão (formerly BM&FBovespa) under the ticker "BKBR3" (Note 22), reporting its information to the Brazilian Securities and Exchange Commission ("CVM").

(Amounts in thousands of reais)

1. **Operations**--Continued

As of December 31, 2017 and 2016, the Company had 526 and 480 company-owned stores, respectively, of which:

	2017	2016
State of Alagoas	**4**	4
State of Bahia	**12**	11
State of Ceará	**12**	12
Federal District	**15**	16
State of Espírito Santo	**10**	10
State of Goiás	**7**	3
State of Maranhão	**5**	4
State of Minas Gerais	**23**	21
State of Pará	**6**	5
State of Paraiba	**4**	3
State of Pernambuco	**11**	9
State of Piaui	**2**	2
State of Paraná	**16**	14
State of Rio de Janeiro	**82**	76
State of Rio Grande do Norte	**3**	3
State of Rio Grande do Sul	**32**	29
State of Sergipe	**4**	2
State of São Paulo	**278**	256
Total Stores	**526**	480

(Amounts in thousands of reais)

1. **Operations**--Continued

Corporate restructuring

During 2017, the Company did not make acquisitions, but in 2016 carried out the following acquisitions, in order to increase the number of restaurants and maximize its results through the synergy of operations, in addition to centralizing its management and its capital management:

Company	Acquisition date	% acquired
Realty Consulting Planejamento S.A. (“Realty") and its subsidiaries (Note 4.2):	1/4/2016	100
· W2DMA Comércio de Alimentos Ltda. (“W2")	1/4/2016	100
· Outstanding Foods Participações e Prestação de Serviços para Restaurantes S.A. (“Outstanding”)	1/4/2016	100

In this transaction, 8 restaurants were acquired.

On February 28, 2017, the Company merged Realty Consulting Planejamento S.A. and its subsidiaries (W2 and Outstanding).

The mergers were made based on technical reports prepared by experts, considering their accounting net assets, eliminating the intra-group balances, at the respective merger dates, summarized below, not generating impacts on the Company’s profit or loss for the year or balance sheet, including equity:

	Realty	Outstanding	W2	Fair value adjustment (Note 4.2)	Total
Assets					
Total Current Assets	1	1	4,447	-	**4,449**
Property and Equipment, Net (Note 12)	-	-	5,343	-	**5,343**
Intangible assets (Note 13)	-	-	-	**37,474**	**37,474**
Total Assets	**1**	**1**	**9,790**	**37,474**	**47,266**
Liabilities					
Total Current Liabilities	12	-	4,915	-	**4,927**
Total Non-Current Liabilities	(12)	-	-	-	**(12)**
Total Net Assets Merged (Note 11)	**1**	**1**	**4,875**	**37,474**	**42,351**

2. Accounting policies

The Company's financial statements were approved by the Board of Directors on March 6, 2018.

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, 2017 and applicable to the comparative information as of December 31, 2016. In conformity with OCPC 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 the policies set out in the Brazilian corporate law and the pronouncements, guidance and interpretations issued by the Accounting Pronouncements Committee ("CPC"), approved by CVM and by the Federal Accounting Council ("CFC").

The Company has adopted all standards, revisions of standards and interpretations issued by IASB and CPC, that were effective at December 31, 2017.

Except for the profit or loss for the year, the Company does not have other comprehensive income (loss).

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

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.

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 one operating segment, related to the sale of food and beverages in restaurants operated by the Company.

2. Accounting policies--Continued

Estimates

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, at least annually.

2.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of BKB and its subsidiaries, as mentioned in Note 11.

The subsidiaries are fully consolidated from their acquisition dates, as mentioned in Note 1. The financial statements of subsidiaries have been prepared for the same period 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.

2. Accounting policies--Continued

2.2. Business combination--Continued

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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 - Financial Instruments is measured at fair value, with changes in fair value recognized either in the statement of profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the consideration transferred in relation to the net assets acquired (identifiable net assets acquired and liabilities assumed). 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 synergies of 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 at 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 finance income or costs in the statement of operations.

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.

2. Accounting policies--Continued

2.5. Revenue recognition--Continued

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 "Finance income", in the statement of operations.

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 in the countries where the Company operates and generates taxable income.

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 tax is 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 taxable temporary differences, except:

(i) Where 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 loss); and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Accounting policies--Continued

2.6. Taxes--Continued

Deferred taxes--Continued

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, 2017 and 2016 the rate used was 34%).

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.

2. Accounting policies--Continued

2.6. Taxes--Continued

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 sale tax is recognized as part of the acquisition cost of the asset or expense item, as appropriate; and

(ii) When the amounts receivable and payable are presented together with the amount of the sales tax.

(iii) When the net amount of the sales taxes, recoverable or payable, is included as a

2.7. Financial instruments - Initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables. The Company determines the classification of its financial assets at the time of their initial recognition, when it becomes a party to the contractual provisions of the instrument.

Financial assets are classified, upon initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives classified as effective hedging instruments, according to the situation. All financial assets are recognized at fair value, plus transaction costs that are directly attributable to the acquisition of financial assets, in the case of financial assets not recognized at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company’s main financial assets include cash and cash equivalents, marketable securities and trade receivables, net, derivative financial instruments and other receivables.

2. Accounting policies--Continued

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

Financial assets--Continued

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments contracted by the Company that do not satisfy the criteria for hedge accounting defined by IAS 39 - Financial Instruments. Financial assets at fair value through profit or loss are presented in the balance sheet at fair value, with the related gains or losses recognized in the statement of operations

The Company designated its financial assets at fair value through profit or loss since it intends to trade them in the near term. When the Company does not have conditions to trade these financial assets due to inactive markets and Management's intention to sell them in the near future changes significantly, the Company may elect to reclassify these financial assets under certain circumstances. The reclassification to loans and receivables depends on the nature of the asset. This assessment does not affect any financial assets designated at fair value through profit or loss using the fair value option upon the presentation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method (effective interest rate), less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs incurred. The effective interest rate amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of operations in finance costs.

2. Accounting policies--Continued

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

Financial assets--Continued

Derecognition

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when either:

(i) The rights to receive cash flows from the asset have expired;

(ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and it has neither transferred nor retained substantially all of the risks and rewards of the asset, an asset is recognized to the extent of the Company's continuing involvement with the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The continuing involvement in the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum consideration that may be required from the Company.

Impairment analysis

A financial asset or a group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty.

2. Accounting policies--Continued

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

Financial assets--Continued

Impairment analysis--Continued

The probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments can be indicated by a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and financings. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and financings, include directly attributable transaction costs.

The Company's principal financial liabilities comprise trade and rental payables, loans and financings, debentures and other payables.

The initial and subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

2. Accounting policies--Continued

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

Financial liabilities--Continued

Financial liabilities at fair value through profit or loss--Continued

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39 - Financial Instruments including embedded derivatives that are not closely related to the host contract and that should be separated are also classified as held for trading, unless they are designated as effective hedging instruments.

Gains and losses on these held-for-trading category are recognized in the statement of profit or loss.

Loans and financings

After initial recognition, interest-bearing loans and financings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized, as well as through the effective interest rate method.

Fair value of financial instruments

The fair value of financial instruments actively traded in organized financial markets is determined based on the purchase prices quoted in the market at the closing of business at the reporting date, not deducting transaction costs.

2.8. Derivative financial Instruments

As of December 31, 2017 and 2016, 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.

2. Accounting policies--Continued

2.8. Derivative financial instruments--Continued

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 finance income or costs.

2.9. Investments (Company)

During 2017 and 2016, the equity interests directly held by the Company in subsidiaries (Note 11) were accounted for under the equity method of accounting.

Under the equity method of accounting, the investment in subsidiary is recorded in the balance sheet at cost, plus the variations after the acquisition of interests in subsidiaries.

The financial information of subsidiaries has been prepared for the same period of the Company. The fiscal years of the subsidiaries and their accounting policies are the same of the Company. When necessary, adjustments were made to bring the accounting policies in line with those of the Company.

2.10. 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.

2. **Accounting policies**--Continued

2.10. **Property and equipment**--Continued

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 12.

2.11. 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.

<u>Brands, real property rights and licenses</u>

Use of the brand Burger King (Franchise fee)

Brands comprise the rights to use the brands paid to Burger King Corporation for the opening of each store. The amortization period is twenty years from the restaurant opening date.

2. Accounting policies--Continued

2.11. Intangible assets--Continued

<u>Brands, real property rights and licenses</u>--Continued

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.

Goodwill

Goodwill arising on business combination transactions. Goodwill is annually tested for impairment, as mentioned in Notes 2.13 and 13.

2.12. Inventories

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

2.13. 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.

2. Accounting policies--Continued

2.13. Impairment of non-financial assets--Continued

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

Goodwill

The impairment testing of goodwill is performed annually (at December 31) or whenever circumstances indicate an impairment (see details on the annual analysis in Note 13).

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 13). 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, 2017 and 2016, there were no indications of impairment and there was no change in the useful life from indefinite to finite.

2.14. 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. Accounting policies--Continued

2.15. Marketable securities and Restricted marketable securities

Marketable securities are measured based on their yield and are recognized in the statement of operations 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, 2017 and 2016.

The Company's share in the exclusive investment fund was consolidated based on the segregation of investments comprising the fund's equity (Note 6).

2.16. Deferred revenue, net

The Company has transactions with suppliers, which pay for the exclusive sales of products, brand exposure in stores and volume of purchases, which are recorded 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.

Expenses on marketing campaigns related to the marketing fund and linked to the agreements with suppliers mentioned above are initially recorded as prepaid expenses, in current and non-current assets, and are recognized in the statement of operations over the agreement period.

2.17. Provisions

<u>General</u>

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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.

2. Accounting policies--Continued

2.17. Provisions--Continued

General--Continued

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) / IAS 7 - Statement of Cash Flows. The statement of value added was prepared in accordance with CPC 09 - Statement of Value Added and is presented as supplementary information for IFRS purposes.

2.19. Earnings (loss) per share

The Company calculates earnings (loss) per share using the weighted average number of total shares during the period corresponding to the result for the period, as set forth in technical pronouncement 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 year, respectively.

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

2. Accounting policies--Continued

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 sales 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 or 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. See details in Note 13.

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.

2. Accounting policies--Continued

2.20. Significant accounting estimates and assumptions--Continued

Measurement of contingent consideration of acquisitions

Contingent consideration arising from a business combination is measured at fair value at the acquisition date as part of the business combination. Subsequently, it is remeasured at fair value at the end of the reporting period. The fair value of contingent consideration was based on recent transactions among shareholders and EBITDA multiples, based on similar companies in the Brazilian market. As of December 31, 2017, the Company had no outstanding contingent consideration of acquisitions.

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.

Provision for tax, civil and labor risks

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. Accounting policies--Continued

2.21. Leased assets

Leases in which the Company assumes the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. After initial recognition, the asset is recorded according to the accounting policy applicable to the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments, including direct costs and incentives received from the lessor of each agreement, are recognized in the statement of profit or loss under the straight-line method over the lease term. Assets under operating leases are not recognized in the Company's balance sheet. The Company does not have finance lease agreements.

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.

Profit sharing

The profit sharing program is approved annually and is based on individual targets and Company targets as a whole. In 2017, the targets were achieved by the Company and the employees, therefore the profit sharing program was accrued for 2017 and will be paid the following year.

3. Standards, amendments to and interpretations of standards not yet effective

The Company elected not to early adopt any other standard, interpretation or amendment that has been issued but is not yet effective. The description and effective period of each of the new standards and amendments are described below:

IFRS 2 – Share-based payment transactions (CPC 10)

IFRS 2 addresses three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled, and is effective on January 1, 2018.

Management assessed the changes brought by the standard and concluded that its adoption will not bring significant impacts to the Company.

IFRS 9 - Financial instruments (CPC 48)

IFRS 9/CPC 48 replaces beginning on January 1, 2018 the standard in effect IAS 39/CPC 38 - Financial Instruments - Recognition and Measurement and has the main changes: classification and measurement of financial assets; impairment (replacement of the “incurred loss” model for a prospective model of “expected credit loss”); and hedge accounting.

Management assessed the changes brought by the standard and concluded that its adoption will not bring significant impacts to the Company, mainly regarding the measurement of financial instruments when compared to the guidelines of IAS 39.

3. Standards, amendments to and interpretations of standards not yet effective--Continued

IFRS 15 - Revenue from contracts with customers (CPC 47)

IFRS 15/CPC 47 introduces a comprehensive structure to determine if and when a revenue is recognized, and its measurement. IFRS 15 replaces the current revenue recognition standards, including CPC 30 (IAS 18) Revenues, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation of (IFRIC 13) Customer Loyalty Programmes, and is effective on January 1, 2018.

Management assessed the principles and changes brought by the new standard and concluded that its adoption will not bring significant impacts to the Company regarding the timing of the recognition of revenue from contracts with customers, and its measurement, presentation and disclosure in the financial statements.

IFRS 16 – Leases (CPC 06 (R2))

This standard replaces the previous standard on leases, IAS 17/CPC 06 (R1) - Leases, and related interpretations, and it establishes principles for the recognition, measurement, presentation and disclosure of leases for both parties of an agreement, that is, the customers (lessees) and suppliers (lessors). The lessees are required to recognize a lease liability reflecting future lease payments and a “right to use an asset” for virtually all lease agreements, except for certain short-term leases and agreements with low value assets. For lessors, the accounting treatment remains almost the same, with the classification of leases either as operating or finance leases, and the accounting of these two types of lease agreements is different.

The Company is still assessing the potential impacts of this new standard, however, we have preliminary evaluated that significant impacts are expected, mainly because the Company’s operations are highly dependent on operating leases. The potential impacts refer to the recognition of all lease agreements of restaurants as a Company’s right and obligation. Since all restaurants are leased, the expected impact on the Company’s financial statements is significant.

The early adoption of standards, however encouraged by the IASB, is not permitted in Brazil by the CPC.

4. Business combination

4.1. Acquisition of BGK

On February 16, 2012, the Company entered into a Share Purchase and Sale Agreement ("CCV BGK") for the acquisition of BGK Brasil S.A. As a part of the purchase price, the Company recorded R$27,598 (contingent consideration), which will be settled with the seller in accordance with one of the following situations:

- If, during a period of seven year counted from February 16, 2012, the Company filed an application for initial public offering of shares (IPO), the Company would be required to issue, on behalf of the seller, the number of common shares resulting from the division of the contingent consideration (in the historical amount of R$27,598, as defined in CCV BKG) by the Issue Price (in the amount of R$473.81, as defined in the Subscription Warrant 1 - Series 2);
- If no IPO was carried out within the stipulated period above, the Company would be required to pay in cash, as purchase price supplement, the contingent consideration equivalent to the economic valuation at market prices of the common shares that would have been issued to the seller due to the hypothetical exercise of the Subscription Warrant 1 - Series 2;
- If, during the period of seven years counted from February 16, 2012, (a) Vinci, the joint controlling shareholder of BKB, sold its total interests in the Company, the amount of the Drag- Along (as defined in the CCV BGK) would be due to the seller; or (b) Vinci sold part of its interests in the Company, the amount of the Tag-Along (as defined in CCV BGK) would be due to the seller.

As of December 31, 2016, the Company had a balance related to the contingent consideration of R$45,983, of which R$45,963 from the acquisition of BGK which was properly adjusted by R$26,027 (Note 28), based on the last transaction among shareholders, on which R$7,662 was paid on November 11, 2016 (considering the exercise of the warrant due to the sale by Vinci of part of its interest in the Company to Montjuick Fundo de Investimentos em Participações (Note 22)); and R$20 related to the acquisition of BGNE.

As of July 31, 2017, the amount was properly adjusted and totaled R$9,527 (Note 28), based on the transaction among the shareholders.

(Amounts in thousands of reais)

4. **Business combination**--Continued

4.1. **Acquisition of BGK**--Continued

On August 18, 2017, R$8,226 was paid to the seller of BGK for the contingent consideration of acquisition. The amount was calculated based on the fair value with the admittance of the shareholder King Arthur LLC.

On October 9, 2017, the seller of BGK informed that it would exercise the Subscription Warrant 1 – 2nd Series, so that (a) the common shares to which it is entitled will be issued, subscribed and paid in by the seller before the initial public offering (IPO) and (b) the Contingent Consideration is no longer due.

On November 22, 2017, the balance of R$47,284, related to the seller of BGK, was fully converted into shares in view of the exercise of the warrant and transferred to the Company's equity, without any settlement in cash.

4.2. **Acquisition of Realty and subsidiaries**

As mentioned in Note 1, on January 1, 2016, BKB acquired 100% of Realty and its subsidiaries for the total amount of R$20,781, and on February 28, 2017, they were merged into BKB. The breakdown of the consideration, the identification of the fair value of the net assets acquired and the allocation of goodwill are shown below:

Consideration paid on acquisition	18,133
Consideration payable (Note 19)	2,648
Total consideration	**20,781**

	Carrying amount	**Fair value adjustment (PPA) (Notes 1 and 13)**	**Fair value**
Current assets, net of cash acquired	2,419	-	**2,419**
Property and equipment (Note 12)	6,234	-	**6,234**
Intangible assets			
Goodwill	-	30,295	**30,295**
Franchise fee - brand	-	979	**979**
Real property rights	-	6,200	**6,200**
	8,653	37,474	**46,127**
Current liabilities	2,905	-	**2,905**
Non-current liabilities (*)	22,441	-	**22,441**
Net assets acquired at fair value	**(16,693)**	**37,474**	**20,781**

(*) As from 2015, there were no longer differences between the accounting and tax books related to Business combinations, and deferred taxes were no longer computed.

(Amounts in thousands of reais)

5. Cash and cash equivalents

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Cash	**19,580**	11,640	**19,580**	11,642
Banks	**424**	34,889	**424**	34,939
Financial investments	**82,231**	206,916	**82,341**	210,339
Total cash and cash equivalents	**102,235**	253,445	**102,345**	256,920

The cash balance is mainly comprised by cash funds of stores, which are used for the daily opening of cash in stores and cash in transit, which after the daily closing of cash in stores are sent for collection and bank deposits.

Financial investments are held for the purpose of meeting short-term cash commitments.

		Parent company		Consolidated	
Type of Investment	**Annual yield**	**2017**	**2016**	**2017**	**2016**
Repurchase agreements	99% to 102% of CDI	**-**	163,464	**-**	163,464
CDB	95% to 101% of CDI	**55,182**	13,060	**55,292**	16,412
Financial bills (LF)	102.5% to 103% of CDI	**26,006**	-	**26,006**	-
Invest plus	10% to 60% of CDI	**1,043**	30,392	**1,043**	30,463
Total financial investments		**82,231**	206,916	**82,341**	210,339

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.

6. Marketable securities

		Parent company		Consolidated	
Type of Investment	**Annual yield**	**2017**	**2016**	**2017**	**2016**
Exclusive investment fund - XPA BK (*)	91.8% to 100.1% of CDI	**518,248**	-	**-**	-
Federal Treasury Bills (LFT)	100.1% of CDI	**-**	-	**498,124**	-
Investment Funds	91.8% to 143.4% of CDI	**18,336**	-	**38,460**	-
Lease bills (LAM)	100% to 102% of CDI	**332,607**	-	**332,607**	-
CDB	101.1% to 103% of CDI	**204,708**	37,194	**204,708**	37,194
Repurchase Agreements	98.5% to 103% of CDI	**-**	26,301	**-**	26,301
Investment Fund and CDB (**)	85% to 99% of CDI	**3,902**	4,261	**3,902**	4,261
Repurchase agreements (***)	101.1% of CDI	**11,868**	8,000	**11,868**	8,000
Total marketable securities		**1,089,669**	75,756	**1,089,669**	75,756
Current		**1,076,384**	65,341	**1,076,384**	65,341
Marketable securities		**1,073,900**	63,495	**1,073,900**	63,495
Restricted marketable securities		**2,484**	1,846	**2,484**	1,846
Non-current		**13,285**	10,415	**13,285**	10,415

(*) 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, and is comprised of financial treasury bills and investment funds.

(**) Financial investments pledged as collateral of loans and financings mentioned in Note 14 and their redemption is linked to the maturity of those loans.

(***) Repurchase agreements (restricted account) pledged as collateral of the 6th issue of debentures mentioned in Note 14.2.

(Amounts in thousands of reais)

7. Trade receivables, net

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Sales transactions	**52,679**	29,560	**52,679**	30,398
Service rendered with franchisees	**7,457**	2,028	**7,457**	2,028
Services rendered with related parties (Note 21)	**639**	877	**639**	877
Other receivables	**183**	206	**183**	355
Total trade receivables	**60,958**	32,671	**60,958**	33,658

As mentioned in Note 14, part of the inflows of receivables with credit cards and meal vouchers is pledged as collateral of loans and financings (debentures).

8. Inventories

	Parent company and Consolidated	
	2017	**2016**
Goods for resale	**28,116**	21,377
Distribution center - BKB	**7,348**	2,005
Gifts	**4,279**	7,464
Total inventories	**39,743**	30,846

9. Taxes recoverable

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
IRPJ (Income Tax)	**2,582**	2,582	**2,582**	2,788
CSLL (Social Contribution on Profit)	**1,053**	975	**1,053**	1,052
PIS and COFINS (indirect taxes) on property and equipment)	**71**	347	**71**	347
IRRF (Withholding Income Tax)	**5,414**	9,133	**5,414**	9,133
ICMS (State VAT)	**3,681**	4,281	**3,722**	5,334
Non-cumulative PIS	**4,591**	2,961	**4,591**	2,967
Non-cumulative COFINS	**19,532**	13,637	**19,532**	13,661
INSS (Social Security Contribution)	**2,505**	3,274	**3,921**	3,990
Other	**301**	14	**1,389**	988
Total taxes recoverable	**39,730**	37,204	**42,275**	40,260
Current	**22,448**	25,510	**24,993**	28,566
Non-current (*)	**17,282**	11,694	**17,282**	11,694

(*) The Company expects to realize the tax credits until 2020.

10. Advances paid

	Parent company and Consolidated	
	2017	**2016**
Advances to suppliers of services and materials	**17,961**	5,598
Expenses to be reimbursed - Marketing Fund	**6,801**	3,114
Total prepaid expenses	**24,762**	8,712

(Amounts in thousands of reais)

11. Investments

The movements in investments as of December 31, 2017 and 2016 were as follows:

	Parent company	
	2017	**2016**
Opening balance	**56,887**	9,854
Net assets acquired (Note 4.2)	**-**	20,781
Advance for future capital increase - in cash	**2,438**	30,468
Advance for future capital increase - PERT (*)	**2,963**	-
Merger of subsidiaries (Note 1)	**(42,351)**	-
Equity pickup	**(1,972)**	(4,216)
Closing balance	**17,965**	56,887

(*) In September 2017, the subsidiaries BGMAXX BA and BGMAXX AL enrolled in the tax debt refinancing program (PERT). On that occasion, the Company's tax loss was used to settle part of the Subsidiary's debt and a contribution on this transaction was recognized.

The acquisition of the net assets of direct subsidiaries resulted in optimization of processes and maximization of results for the Company.

The carrying amounts (without the effect of fair value) as of December 31, 2017 and 2016 are as follows:

	2017				2016			
	BGMAXX BA	**BGMAXX AL**	**Realty (*)**	**Total**	**BGMAXX BA**	**BGMAXX AL**	**Realty (*)**	**Total**
Assets								
Current	**3,990**	**197**	**-**	**4,187**	3,941	179	4,694	8,814
Non-current	**5,088**	**112**	**-**	**5,200**	5,999	160	5,478	11,637
Total assets	**9,078**	**309**	**-**	**9,387**	9,940	339	10,172	20,451
Liabilities								
Current	**5,974**	**1,778**	**-**	**7,752**	6,925	1,869	7,317	16,111
Non-current	**4,463**	**622**	**-**	**5,085**	7,659	494	-	8,153
Total liabilities	**10,437**	**2,400**	**-**	**12,837**	14,584	2,363	7,317	24,264
Equity	**(1,359)**	**(2,091)**	**-**	**(3,450)**	(4,644)	(2,024)	2,855	(3,813)
Total liabilities and equity	**9,078**	**309**	**-**	**9,387**	9,940	339	10,172	20,451
% interest in subsidiary	**100%**	**100%**	**-**	**-**	100%	100%	100%	-
Net operating revenue	**-**	**-**	**-**	**-**	23,042	1,014	17,498	41,554
Equity pickup	**(1,786)**	**(72)**	**(114)**	**(1,972)**	(293)	(265)	(3,658)	(4,216)

(*) Realty was merged during 2017, as mentioned in Note 1.

The Company holds a 100% interest in these subsidiaries and for consolidation purposes the net asset is eliminated against the investment balance, remaining the surplus value balance, which was reclassified to intangible assets (Note 13).

(Amounts in thousands of reais)

12. Property and equipment, net

	Annual average depreciation rate	Parent company 2017	Parent company 2016	Consolidated 2017	Consolidated 2016
Facilities, improvements and projects	(i)	**371,036**	340,422	**372,473**	344,923
Machinery and equipment	5% to 25%	**123,794**	112,024	**125,323**	114,853
Furniture and fixtures	6% to 20%	**32,459**	29,341	**33,395**	31,360
Computers and hardware	2% to 5%	**42,519**	39,255	**42,493**	39,731
Other assets (ii)	-	**129,167**	127,560	**129,286**	128,063
(-) Provision for impairment	-	**(3,328)**	(7,955)	**(3,328)**	(7,955)
Total property and equipment		**695,647**	640,647	**699,642**	650,975

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

(ii) Civil works related to stores under construction to be apportioned by construction, new equipment and equipment under maintenance to be used in stores.

In 2017, no financial charges were capitalized (R$2,911 in 2016).

The movements in property and equipment in the years ended December 31, 2017 and 2016 were as follows:

Parent company	Facilities, improvements and projects	Machinery and equipment	Furniture and fixtures	Computers and hardware	Other assets (ii)	(-) Provision for impairment	Total
Cost							
Balance in 2015	408,158	117,724	39,894	56,709	136,672	(6,906)	752,251
Additions	-	-	20	-	138,154	-	138,174
Transfers	84,058	38,230	3,850	17,862	(144,000)	-	-
Write-offs	(127)	(490)	(73)	(280)	(3,266)	-	(4,236)
Impairment (Note 27)	-	-	-	-	-	(1,049)	(1,049)
Balance in 2016	492,089	155,464	43,691	74,291	127,560	(7,955)	885,140
Additions	**28,720**	**-**	**3**	**7**	**143,507**	**-**	**172,237**
Mergers (Note 1)	**2,637**	**920**	**951**	**451**	**384**	**-**	**5,343**
Transfers	**73,155**	**31,308**	**8,503**	**20,819**	**(133,785)**	**-**	**-**
Write-offs	**(15,271)**	**(1,745)**	**(1,463)**	**(3,860)**	**(8,500)**	**-**	**(30,839)**
Sale of stores (i)	**(10,690)**	**(2,182)**	**(911)**	**(1,049)**	**1**	**-**	**(14,831)**
Impairment (Note 27)	**-**	**-**	**-**	**-**	**-**	**4,627**	**4,627**
Balance in 2017	**570,640**	**183,765**	**50,774**	**90,659**	**129,167**	**(3,328)**	**1,021,677**
Depreciation							
Balance in 2015	(99,517)	(28,692)	(10,182)	(22,050)	-	-	(160,441)
Additions	(52,158)	(15,136)	(4,195)	(13,172)	-	-	(84,661)
Write-offs	8	388	27	186	-	-	609
Balance in 2016	(151,667)	(43,440)	(14,350)	(35,036)	-	-	(244,493)
Additions	**(61,291)**	**(18,159)**	**(5,012)**	**(16,827)**	**-**	**-**	**(101,289)**
Write-offs	**8,593**	**831**	**678**	**2,933**	**-**	**-**	**13,035**
Sale of stores (i)	**4,761**	**797**	**369**	**790**	**-**	**-**	**6,717**
Balance in 2017	**(199,604)**	**(59,971)**	**(18,315)**	**(48,140)**	**-**	**-**	**(326,030)**
Total property and equipment in 2015	308,641	89,032	29,712	34,659	136,672	(6,906)	591,810
Total property and equipment in 2016	340,422	112,024	29,341	39,255	127,560	(7,955)	640,647
Total property and equipment in 2017	**371,036**	**123,794**	**32,459**	**42,519**	**129,167**	**(3,328)**	**695,647**

(i) Sale of 8 stores, in line with Management's strategy to focus on increase in profitability and return on invested capital, which generated a net capital gain of R$ 1,042 (Note 27, line items "Income from stores sold" and "Write-off of assets of stores sold").

(ii) Civil works related to stores under construction to be apportioned by construction, new equipment and equipment under maintenance to be used in stores.

(Amounts in thousands of reais)

12. Property and equipment, net--Continued

	Consolidated						
	Facilities, improvements and projects	Machinery and equipment	Furniture and fixtures	Computers and hardware	Other assets (ii)	(-) Provision for impairment	Total
Cost							
Balance in 2015	414,896	123,503	43,124	57,550	136,674	(6,906)	768,841
Additions	13	159	22	4	140,028	-	140,226
Acquisition of Realty (Note 4.2)	2,255	1,764	2,776	594	20	-	7,409
Transfers	84,058	38,230	3,851	17,861	(144,000)	-	-
Write-offs	(126)	(491)	(76)	(279)	(4,659)	-	(5,631)
Impairment (Note 27)	-	-	-	-	-	(1,049)	(1,049)
Balance in 2016	501,096	163,165	49,697	75,730	128,063	(7,955)	909,796
Additions	**28,720**	**-**	**3**	**6**	**143,507**	**-**	**172,237**
Transfers	**73,155**	**31,308**	**8,503**	**20,819**	**(133,785)**	**-**	**-**
Write-offs	**(15,316)**	**(1,745)**	**(1,463)**	**(3,860)**	**(8,500)**	**-**	**(30,884)**
Sale of stores (i)	**(10,690)**	**(2,182)**	**(911)**	**(1,049)**	**1**	**-**	**(14,831)**
Impairment (Note 27)	**-**	**-**	**-**	**-**	**-**	**4,627**	**4,627**
Balance in 2017	**576,965**	**190,546**	**55,829**	**91,646**	**129,286**	**(3,328)**	**1,040,944**
Depreciation							
Balance in 2015	(103,453)	(32,517)	(12,487)	(22,745)	-	-	(171,202)
Additions	(52,604)	(15,944)	(5,224)	(13,281)	-	-	(87,053)
Acquisition of Realty (Note 4.2)	(124)	(239)	(653)	(159)	-	-	(1,175)
Write-offs	8	388	27	186	-	-	609
Balance in 2016	(156,173)	(48,312)	(18,337)	(35,999)	-	-	(258,821)
Additions	**(61,673)**	**(18,539)**	**(5,144)**	**(16,877)**	**-**	**-**	**(102,233)**
Write-offs	**8,593**	**831**	**678**	**2,933**	**-**	**-**	**13,035**
Sale of stores (i)	**4,761**	**797**	**369**	**790**	**-**	**-**	**6,717**
Balance in 2017	**(204,492)**	**(65,223)**	**(22,434)**	**(49,153)**	**-**	**-**	**(341,302)**
Total property and equipment in 2015	311,443	90,986	30,637	34,805	136,674	(6,906)	597,639
Total property and equipment in 2016	344,923	114,853	31,360	39,731	128,063	(7,955)	650,975
Total property and equipment in 2017	**372,473**	**125,323**	**33,395**	**42,493**	**129,286**	**(3,328)**	**699,642**

(i) Sale of 8 stores, in line with Management's strategy to focus on increase in profitability and return on invested capital, which generated a net capital gain of R$ 1,042 (Note 27, line items "Income from stores sold" and "Write-off of assets of stores sold").

(ii) Civil works related to stores under construction to be apportioned by construction, new equipment and equipment under maintenance to be used in stores.

(Amounts in thousands of reais)

12. Property and equipment, net--Continued

Impairment test

The Company considers the restaurants as its cash generating units (CGUs), and tested them for impairment taking into consideration the maturity period (beginning in 24 months, considering 406 restaurants of a total of 526 in 2017 and 319 of a total pf 480 in 2016) and their future cash flows discounted to present value, at the rate of 13.1% (WACC).

Of the total of CGUs, 48 restaurants presented some indicator of impairment (56 restaurants in 2016), which were analyzed in detail individually. This analysis considers the expected improvement in net sales and in other cost indicators (such as reduction in cost of sales, adequacy of payroll costs, possibility of renegotiations of occupancy costs, among others).

Conservatively, the Company did not consider the possible resales of these restaurants to franchisees. 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 the cases of discontinuance, the Company accrued the carrying amount of its impaired assets of stores, comprising: facilities, improvements and projects. In 2017, the provision amounted to R$3,328 (R$3,816 in 2016).

In the year ended December 31, 2017, a provision was set up for the impairment of 13 stores accrued in prior years, of which 10 stores were closed. In addition, the provision for impairment of 3 stores previously accrued was maintained and a provision for impairment of additional 9 stores was set up. The result of the movement in the provision and /reversals for impairment was R$4,627 in 2017 (addition of provision of R$1,049 in 2016) (Note 27).

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

13. Intangible assets, net

		Parent company		Consolidated	
	Annual average amortization rate	**2017**	**2016**	**2017**	**2016**
Commercial rights	(*)	**49,977**	44,953	**53,250**	53,543
Franchise fee	5%	**49,770**	43,839	**51,924**	46,971
Software licenses	20%	**8,859**	6,411	**8,857**	6,409
Goodwill	(**)	**184,917**	154,622	**202,083**	202,083
Total intangible assets		**293,523**	249,825	**316,114**	309,006

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

(**) Annual analysis of impairment.

(Amounts in thousands of reais)

The movements in intangible assets in the years ended December 31, 2017 and 2016 were as follows:

	Parent company				
	Commercial rights	Franchise fee (Note 21)	Software licenses	Goodwill	Total
Cost					
Balance in 2015	65,818	36,620	9,592	154,622	266,652
Additions	14,857	15,059	3,963	-	33,879
Balance in 2016	80,675	51,679	13,555	154,622	300,531
Additions	**10,560**	**8,862**	**5,329**	**-**	**24,751**
Mergers (Notes 1 and 4.2)	**6,200**	**979**	**-**	**30,295**	**37,474**
Write-offs	**-**	**-**	**(423)**	**-**	**(423)**
Sale of stores (i)	**(655)**	**(707)**	**(11)**	**-**	**(1,373)**
Balance in 2017	**96,780**	**60,812**	**18,450**	**184,917**	**360,959**
Amortization					
Balance in 2015	(24,788)	(4,804)	(4,903)	-	(34,495)
Additions	(10,934)	(3,036)	(2,241)	-	(16,211)
Balance in 2016	(35,722)	(7,840)	(7,144)	-	(50,706)
Additions	**(11,316)**	**(3,333)**	**(2,815)**	**-**	**(17,464)**
Write-offs	**-**	**-**	**360**	**-**	**360**
Sale of stores (i)	**235**	**131**	**8**	**-**	**374**
Balance in 2017	**(46,803)**	**(11,042)**	**(9,591)**	**-**	**(67,436)**
Total intangible assets in 2015	41,030	31,816	4,689	154,622	232,157
Total intangible assets in 2016	44,953	43,839	6,411	154,622	249,825
Total intangible assets in 2017	**49,977**	**49,770**	**8,859**	**184,917**	**293,523**

(i) Sale of 8 stores, in line with Management's strategy to focus on increase in profitability and return on invested capital, which generated a net capital gain of R$ 1,042 (Note 27, line items "Income from stores sold" and "Write-off of assets of stores sold").

(Amounts in thousands of reais)

13. Intangible assets, net--Continued

	Consolidated				
	Commercial rights	Franchise fee	Software licenses	Goodwill	Total
Cost					
Balance in 2015	67,886	38,820	9,766	171,789	288,261
Additions	15,361	15,059	3,962	-	34,382
Acquisition of Realty (Note 4.2)	7,912	980	-	30,294	39,186
Balance in 2016	91,159	54,859	13,728	202,083	361,829
Additions	**11,443**	**8,862**	**5,329**	**-**	**25,634**
Write-offs	**-**	**-**	**(423)**	**-**	**(423)**
Sale of stores (i)	**(655)**	**(707)**	**(11)**	**-**	**(1,373)**
Balance in 2017	**101,947**	**63,014**	**18,623**	**202,083**	**385,667**
Amortization					
Balance in 2015	(24,839)	(4,852)	(5,077)	-	(34,768)
Additions	(11,066)	(3,036)	(2,242)	-	(16,344)
Acquisition of Realty (Note 4.2)	(1,711)	-	-	-	(1,711)
Balance in 2016	(37,616)	(7,888)	(7,319)	-	(52,823)
Additions	**(11,316)**	**(3,333)**	**(2,815)**	**-**	**(17,464)**
Write-offs	**-**	**-**	**360**	**-**	**360**
Sale of stores (i)	**235**	**131**	**8**	**-**	**374**
Balance in 2017	**(48,697)**	**(11,090)**	**(9,766)**	**-**	**(69,553)**
Total intangible assets in 2015	43,047	33,968	4,689	171,789	253,493
Total intangible assets in 2016	53,543	46,971	6,409	202,083	309,006
Total intangible assets in 2017	**53,250**	**51,924**	**8,857**	**202,083**	**316,114**

(i) Sale of 8 stores, in line with Management's strategy to focus on increase in profitability and return on invested capital, which generated a net capital gain of R$ 1,042 (Note 27, line items "Income from stores sold" and "Write-off of assets of stores sold").

Goodwill

The goodwill arising on 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, 2017 and 2016, no intangible assets with carrying amounts higher than their recoverable amounts were identified.

13. Intangible assets, net--Continued

Impairment test--Continued

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 each of the cash-generating unit ("CGU") 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 and with the economic growth of the country in which the Company has operations.

Cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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) / IAS 36 - Impairment of Assets. All assumptions used are described below:

- The calculations were based on the CGUs (restaurants), considering the best estimate of cash flow for the respective years.

- The projections were made in reais and discounted at the weighted average cost of capital ("WACC"), considering the sensitivities in this metrics. The post-tax discount rate applied to cash flow projections is 13.1% p.a. in 2017 (14.7% p.a. in 2016).

- The actual growth rate used to extrapolate the cash flows of all CGUs for a period of five years was 1.5% 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 of the CGUs were adjusted considering the future projection of the Extended National Consumer Price Index (IPCA) of 4.5% and the opening of new stores.

(Amounts in thousands of reais)

14. Loans and financings

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Loans and financings (Note 14.1)	**10,599**	21,456	**10,599**	26,510
Debentures and CRA (Agribusiness Receivables Certificate) (Notes 14.2)	**475,108**	581,463	**475,108**	581,463
Total loans and financings	**485,707**	602,919	**485,707**	607,973
Current	**209,987**	602,919	**209,987**	607,973
Non-current	**275,720**	(a)	**275,720**	(a)

(a) Amount reclassified to current due to non-compliance with covenants as of December 31, 2016.

14.1. Loans and financings

			Parent company		Consolidated	
	Interest rates (p.m.)	**Maturity**	**2017**	**2016**	**2017**	**2016**
Working capital	100% of CDI + 0.13% to 1.28%	January 2017	**-**	10,437	**-**	15,491
Investments	0,89%	January 2026	**10,577**	10,968	**10,577**	10,968
Others	0.86% to 100% of CDI + 0.80%	September 2018	**22**	51	**22**	51
Total loans and financings (Note 14)			**10,599**	21,456	**10,599**	26,510
Current			**829**	21,456	**829**	26,510
Non-current			**9,770**	(a)	**9,770**	(a)

(a) Amount reclassified to current due to non-compliance with covenants as of December 31, 2016.

Foreign currency

In 2017, the Company had no loans in foreign currency. In 2016, all loans denominated in foreign currencies were settled.

(Amounts in thousands of reais)

14. Loans and financings--Continued

14.2. Debentures and Agribusiness Receivables Certificate (CRA)

			Parent company and Consolidated	
	Interest rates (p.m.)	**Maturity**	**2017**	**2016**
Debentures 1st issue	100% of CDI + 0.15%	April 2018	**20,325**	61,710
Debentures 2nd issue	100% of CDI + 0.20%	March 2019	**33,466**	60,472
Debentures 3rd issue	100% of CDI + 0.20%	December 2019	**61,414**	80,048
Debentures (CRA) - 4th and 5th issue	100% of CDI + 0.09%	February 2019	**105,592**	107,667
Debentures 6th issue	100% of CDI + 0.24%	May 2020	**62,127**	81,193
7th issue debentures (CRA)	100% of CDI + 0.07%	October 2020	**205,683**	208,216
Financial charges to be incurred (*)			**(13,499)**	(17,843)
Total debentures (Note 14)			**475,108**	581,463
Current			**209,158**	581,463
Non-current			**265,950**	(a)

(*) Issurance costs of issue of debentures and CRA

(a) Amount reclassified to current due to non-compliance with covenants as of December 31, 2016.

The amounts of non-current debentures and CRAs, not deducting financial charges to be incurred, have the following original maturities as of December 31, 2017 ad 2016 (not considering the effects of covenants not complied with in 2016):

	Parent company and Consolidated	
Year	**2017**	**2016**
2018	**-**	97,949
2019	**178,875**	160,656
2020	**95,423**	214,946
	274,298	473,551

14. Loans and financings--Continued

14.2. Debentures and Agribusiness Receivables Certificate (CRA)--Continued

Covenants

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

During 2016, the Company did not comply with covenants and the non-current portion of loans, financings and debentures were fully reclassified to the current liabilities. In March 2017, the Company obtained a waiver for non-compliance with covenants and these were renegotiated.

The ratios and minimum and maximum amounts required by these covenants as of December 31, 2017 and 2016 are presented below:

Loans and financings:

(i) The Company's net debt / adjusted EBITDA ratio must be less than 3.5 over the loans and financings agreement term;

Debentures - 1st, 2nd and 3rd issue:

(i) The Company's net debt / adjusted EBITDA ratio must be less than 2.5;

(ii) The adjusted EBITDA/net finance cost ratio must be more than or equal to 2.5 in 2017, and more than or equal to 3.0 in subsequent years;

Debentures (CRA) - 4th and 5th issue:

(i) The Company's net debt/adjusted EBITDA ratio must be less than or equal to 3.0;

(ii) The payment of dividends cannot exceed 25% of the Company's profit for the year;

(Amounts in thousands of reais)

14. Loans and financings--Continued

14.2. Debentures and Agribusiness Receivables Certificate (CRA)--Continued

Covenants--Continued

Debentures - 6th issue:

(i) The Company's net debt/adjusted EBITDA ratio must be less than or equal to 2.5;

Debentures (CRA) - 7th issue:

(i) The Company's net debt/adjusted EBITDA ratio must be less than or equal to 3.25 in 2017, and less than 3.0 in 2018 and subsequent years;

(ii) The payment of dividends cannot exceed 25% of the Company's profit for the year;

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

	Consolidated	
	2017	**2016**
Net sales revenue (Note 24)	**1,783,838**	1,393,284
Cost of sales and expenses on stores (Notes 25 and 26) (*)	**(1,506,745)**	(1,202,004)
Operating EBITDA	**277,093**	**191,280**
Operating EBITDA margin	**15.5%**	**13.7%**
General and administrative expenses (Note 27) (*)	**(71,918)**	(57,727)
Adjusted EBITDA (covenants)	**205,175**	**133,553**
Loans and financings (Debt) (Note 14)	**485,707**	607,973
Cash and cash equivalents and marketable securities (Notes 5 and 6)	**(1,192,014)**	(332,676)
Net debt	**(706,307)**	**275,297**
Financial income (expenses), net	**(56,264)**	(100,539)
Net debt/ Adjusted EBITDA ratio	**(3.4)**	2.1
Adjusted EBITDA (covenants)/financial income (costs) ratio	**3.6**	1.3

(*) 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 are not considered, according to the criteria determined by the Company.

On March 7, 2017, the Debenture Holders' Meeting of the 1st, 2nd and 3rd issues, approved: (i) a waiver for the failure to comply with covenants related to the year ended December 31, 2016, retroacting the effects to December 30, 2016; and (ii) change of certain financial indexes established in the Issue Indenture.

14. Loans and financings--Continued

14.2. Debentures and Agribusiness Receivables Certificate (CRA)--Continued

Covenants--Continued

On November 24, 2017, the Debenture Holders' Meeting of the 1st, 2nd, 3rd and 6th issues, approved: (i) prior approval for change of control of the Issuer due to the Offering, so that the accelerated maturity of Debentures will not be declared, pursuant to item "i", Clause 7.3.1 of the Issue Indenture; and (ii) granting of prior approval with the Company's request for, eventually, if any other creditor of the Company declares the accelerated maturity of its respective credit transaction with the Company, including the eventual loss of the right of the Company's controlling shareholders to appoint the majority of the members of the Board of Directors, such declaration will not be considered as an Event of Automatic Acceleration of Maturity. The prior approval described in item (ii) will be effective for six months from the end of the Offering.

On December 14, 2017, the Agro Receivables Certificate Holders' Meeting of the 1st and 2nd issues approved the change of control of the Issuer due to the public offering of shares.

Collaterals

As of December 31, 2017, the Company has a letter of guarantee with banks amounting to R$6,593 (R$7,973 in 2016) 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. These loans and financings are collateralized by the transactions carried out with Visa, Mastercard and Amex credit cards.

The 1st, 2nd and 3rd issue debentures were pledged as collaterals for transactions carried out with Visa, Mastercard and Amex credit and debit cards, with a minimum of 15% of the outstanding balance. If the guarantee is not sufficient, the Company must guarantee the outstanding balance with financial investments.

The 6th issue debentures are collateralized by the financial flow from transactions carried out with Ticket, Sodexo and Alelo cards, with a minimum 20% of the outstanding balance with over 10% of Restricted account (Cash Collateral) (Note 6). If the guarantee is not sufficient, the Company must guarantee the outstanding balance with financial investments.

(Amounts in thousands of reais)

15. Trade and rental payables

	Parent company		Consolidated	
	2017	2016	2017	2016
Suppliers of materials and services	**132,867**	76,069	**132,911**	76,102
Rentals and commercial rights	**6,086**	4,304	**6,086**	4,304
Total trade and rental payables	**138,953**	80,373	**138,997**	80,406

16. Corporate payables

	Parent company and Consolidated	
	2017	2016
Royalties/Franchise Fee (Note 21.1)	**13,966**	20,598
Total corporate payables	**13,966**	20,598

17. Taxes payable

	Parent company		Consolidated	
	2017	2016	2017	2016
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**2,424**	2,143	**4,378**	4,097
Corporate Income Tax (IRPJ)	**71**	71	**74**	132
Social Contribution on Profit (CSLL)	**18**	18	**71**	71
Integration Program (PIS)	**889**	477	**1,147**	707
Withholding Income Tax (IRRF)	**331**	264	**887**	850
State VAT (ICMS)	**5,958**	1,607	**6,062**	1,632
Contribution For Intervention in the Economic Domain (CIDE)	**1,401**	1,307	**1,602**	1,508
Taxes in installments (*)	**94**	1,755	**5,563**	11,504
ISS (Service Tax) withheld	**3,583**	2,813	**3,584**	2,813
INSS (Social Security Contribution) withheld	**-**	91	**201**	703
Other taxes payable	**1,282**	760	**1,816**	925
Total taxes payable	**16,051**	11,306	**25,385**	24,942
Current	**16,023**	10,234	**20,272**	15,717
Non-current	**28**	1,072	**5,113**	9,225

(*) Refers to the installment payment of taxes joined by BGMAXX BA and BGMAXX AL.

(Amounts in thousands of reais)

18. Deferred revenue, net

	Parent company and Consolidated	
	2017	2016
	Deferred revenue	Deferred revenue
Deferred revenue, net	-	9,000
Total deferred revenue, net	-	9,000

The deferred revenue is related to 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.

The original agreement signed between the parties had a five-year term beginning 2011. Accordingly, the revenues arising from the agreement above were amortized over the agreement term, net of reimbursable expenses negotiated at that time, on a straight-line basis. Specifically in 2016, the Company received an additional amount of R$18,000, without related reimbursable expenses, for an amendment to the agreement for the years 2016 and 2017, equivalent to R$9,000 for each year.

The expenses on marketing campaigns made during the year ended December 31, 2016 and that are directly associated to the purpose of the agreement entered into with the supplier were classified as reimbursable expenses and recognized in the statement of profit or loss on a straight-line basis and over the agreement term.

19. Other payables

	Parent company		Consolidated	
	2017	2016	2017	2016
Provision for sundry expenses	**15,442**	6,018	**15,442**	6,018
Investments payable – BGMAXX	**500**	500	**500**	500
Investments payable - King Food / Good Food	**-**	597	**-**	597
Investments payable – Realty (Note 4.2)	**-**	2,648	**-**	2,648
Advances from customers	**3,771**	-	**3,771**	-
Others	**224**	370	**233**	372
Total other payables	**19,937**	10,133	**19,946**	10,135
Current	**19,937**	9,536	**19,946**	9,538
Non-current	**-**	597	**-**	597

(Amounts in thousands of reais)

20. Provision for legal claims

The Company is exposed to certain risks, represented by tax, civil and labor claims, 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 adequate by Management 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 and administrative proceedings are shown in the table below.

In addition, the Company is aware, as of December 31, 2017, 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$ 28,606 (R$ 26,072 in 2016), as follows:

	Parent company and Consolidated			
	2017		**2016**	
	Probable	**Possible (*)**	**Probable**	**Possible (*)**
Labor lawsuits	**5,706**	**19,641**	3,455	6,942
Civil lawsuits	**500**	**6,066**	464	16,082
Tax lawsuits	**15**	**2,899**	13	3,048
Total provision for legal claims	**6,221**	**28,606**	3,932	26,072

(*) For lawsuits with a possible likelihood of loss, there is no provision to cover possible losses on these lawsuits because the accounting practices adopted in Brazil and the IFRS do not require their recognition, only their disclosure.

Probable labor claims

The Company is a party to labor lawsuits, mainly regarding employee terminations in the normal course of business. As of December 31, 2017, the Company had a provision of R$5,706 (R$3,455 in 2016) for the contingencies related to lawsuits.

Management, supported by its legal counsel, assesses these contingencies and recognizes provisions for probable losses 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.

(Amounts in thousands of reais)

20. Provision for legal claims--Continued

Possible labor claims

During 2017, the Labor Public Prosecution Office filed two civil class actions requesting the Company to be convicted by approximately of R$8,000 due to: (i) alleged non-compliance with the legal hiring quota for disabled people; (ii) correct the alleged irregularities found in expert reports and collective pain and suffering. In these cases, the Company and its legal counsel consider the changes of a favorable outcome as possible and are defending the Company. Both cases await the end of the fact finding phase.

In addition, in another civil class action filed by the Labor Public Prosecution Office, the Company's risk was reassessed and the possible loss was increased to R$3,000, due to the alleged non-compliance with the legal hiring quota of young apprentices and collective pain and suffering.

Possible civil lawsuits

The main civil lawsuits assessed as possible loss in 2016 were recent at the time and the Company's exposure had been calculated by its legal counselors based on the amounts claimed in the lawsuits. During 2017, these lawsuits were analyzed by new legal counselors, who reassessed the Company's exposure in these lawsuits leading to a significant decrease in the exposure. However, the likelihood of loss remains possible.

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

	Parent company and Consolidated			
	2016	Additions	Payments	2017
Labor lawsuits	3,455	**5,215**	**(2,964)**	**5,706**
Civil lawsuits	464	**51**	**(15)**	**500**
Tax lawsuits	13	**2**	**-**	**15**
Total	**3,932**	**5,268**	**(2,979)**	**6,221**

Judicial deposits

	Parent company		Consolidated	
	2017	2016	2017	2016
Labor lawsuits	**20,787**	10,593	**20,816**	10,622
Civil lawsuits	**1,117**	390	**1,117**	390
Tax lawsuits	**4,633**	2,913	**4,633**	2,913
Total judicial deposits	**26,537**	13,896	**26,566**	13,925

The increase in the volume of judicial deposits is related to the increase in the number of labor lawsuits.

21. Related parties

The Company considers as a related party Burger King Corporation (BKC), due to the franchise agreement existing between the parties and that regulates the relationship between the franchiser (BKC) and the master franchisee (BKB) (Note 1). Under the franchise agreement between the parties, the Company has as obligations to the franchiser the recurring payment of the items detailed below:

Franchise Fees and Royalties

Franchise Fees (effective for 20 years and charged after the opening of each restaurant)

- Traditional Restaurants: US$45 thousand/restaurant;
- Express Restaurants: US$30 thousand/restaurant;
- *Dessert Kiosks; US$5 thousand/ Kiosk;*

Royalties

- 5% of the monthly net revenue of all restaurants

These transactions are carried out under exclusive conditions provided in the agreement with BKC, since BKB is the representative of the brand in Brazil, and there are no similar conditions in the market.

In addition, under the Master Franchise agreement existing between the parties, the Company is entitled to receive a monthly service fee derived from the activities of management of franchisees existing in the country developed until 2011.For this service, the Company is entitled to a monthly revenue equivalent to 0.5% of the net revenue of the restaurants developed by these franchisees. These transactions are also carried out under specific conditions, as per the agreement.

The Company has related-party transactions with its subsidiary (BGMAXX BA), mainly for the contribution to the Marketing Fund and also with its suppliers Unidas S.A. (R$124 as of December 31, 2017) which provides vehicle fleet lease to BKB and Austral Seguradora S.A. (nil as of December 31, 2017) which has guarantee insurance with BKB. The suppliers mentioned above were contracted for services and prices usual in the market, in compliance with the Company's policy for contracting these types of services.

(Amounts in thousands of reais)

21. Related parties--Continued

In view of the agreements described above, the Company has recorded in its payables and receivables in 2017 and 2016 the following amounts:

	Burger King Corporation (BKC)		BGMAXX BA		Realty	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Assets						
Trade receivables, net (Note 7)	**639**	877	**-**	-	**-**	-
Additions to Franchise Fee (Note 13)	**8,862**	15,059	**-**	-	**-**	-
Other receivables	**-**	-	**2,162**	2,162	**-**	-
Liabilities						
Corporate payables (Note 16)	**(13,966)**	(20,598)	**-**	-	**-**	-
Other payables	**-**	-	**(74)**	-	**-**	(535)
Profit or loss						
Royalties expenses	**(87,405)**	(71,201)	**-**	-	**-**	-

21.2 Management compensation

	2017	**2016**
Management fees	**4,511**	3,430
Direct and indirect benefits	**918**	782
Variable compensation	**6,767**	5,845
	12,196	10,057

The Company’s officers are also included in the Stock Option Plan, which is described in Note 34.

22. Equity

Capital

On December 18, 2017, the Company conducted its initial public offering of shares (IPO) with the issue of 49,230,769 common shares. The initial price of the offer was R$18.00 per common share. The Company’s shares are listed in the Novo Mercado segment of the São Paulo Stock Exchange - B3 S.A., under the ticker BKBR3 (Note 1).

(Amounts in thousands of reais)

22. Equity--Continued

Capital--Continued

As of December 31, 2017, the Company's capital was R$895,836 (R$1,506 in 2016) and is represented by 222,278,169 registered common shares, book-entry and without par value, held as follows:

	Shareholding Structure BK Brasil – 2017		
	Total Shares		
Shareholders	**Subscribed**	**Paid up**	**Interest %**
Vinci Capital Partners II B Fundo de Investimento em Participações	**29,535,393**	**29,535,393**	**13.3%**
Burger King do Brasil Assessoria a Restaurantes Ltda.	**22,442,100**	**22,442,100**	**10.1%**
Sommerville Investments B.V. (Temasek)	**18,523,620**	**18,523,620**	**8.3%**
Montjuic Fundo de Investimento em Participações	**28,380,817**	**28,380,817**	**12.8%**
Others	**123,396,239**	**123,396,239**	**55.5%**
	222,278,169	**222,278,169**	**100.0%**

The Company's authorized capital is 237,673,167 common shares, so that the capital can be increased within such limit, irrespective of any amendments to bylaws, upon the approval of the Board of Directors.

On August 5, 2016, a capital increase to R$1,143 was approved with the issue of 1,207,000 new common shares, for the issue price of R$800.51 each, through a capital contribution from the beneficiaries of the Stock Option Plan. The share premium reserve was calculated by the difference between the share par value (R$1.00 - one real) and the subscription value of R$800.51. The beneficiaries of the Stock Option Plan paid R$9,662 represented by 1,207,000 new common shares, of which R$9,650 is related to this capital reserve.

On August 8, 2016, the shareholder Montjuic Fundo de Investimento em Participações subscribed to additional 36,179,800 new common shares. The share premium reserve was calculated by the difference between the share par value (R$1.00 - one real) and the subscription value of R$967.39. The shareholder Montjuic Fundo de Investimento em Participações paid up R$200,000 represented by 20,676,200 new registered common shares, without par value, of which R$207 related to the shares and R$199,793 related to the capital reserve, remaining a total of 155,056 preferred shares to be paid up for the price of R$967.39 (adjusted for inflation based on the IPCA index), of which R$155 related to the shares and R$149,845 to this capital reserve. The transaction did not generate any additional Subscription Warrant.

In September 2016, there was also the payment of loans and financings costs amounting to R$13,827 and attorneys' fees of R$798, as a reduction of the "Capital "Reserve" account pursuant to IAS 32 and IAS 39 — Transaction Cost and Premiums on Issue of Securities.

22. **Equity**--Continued

Capital—Continued

On June 22, 2017, the shareholder Sommerville Investments B.V. carried out (i) the partial exercise of the Subscription Warrant No. 4 - Series 3, resulting in the issue of 67,400 new registered common shares, without par value, for the issue price of R$0.001484 each, totaling R$1.00; and (ii) the exercise of the Subscription Warrant No.1 - Series 3 resulting in the issue of 5,940,000 new registered common shares, without par value, for the issue price of R$0.00001684 each, totaling R$1.00. The shares issued by the Company due to the exercise of the Subscription Warrants were fully subscribed by the shareholder Sommerville Investments B.V. and paid up in local currency. Also on that date, the shareholder Vinci Capital Partners II B Fundo de Investimento em Participações sold 8,550,700 registered common shares, without par value and fully paid-up, to King Arthur LLC, which was admitted as shareholder of the Company.

On August 8, 2017, the shareholder Montjuic Fundo de Investimento e Participações paid up the portion of the Company's capital that was unpaid, for the issue price of R$967.39 per share, totaling R$150,000, fully recognized in the line item of share premium reserve (Capital Reserve).

On October 9, 2017, the shareholder Sommerville Investments B.V. carried out (i) new partial exercise of the Subscription Warrant No. 4 - Series 3, resulting in the issue of 68,800 new common shares, for the issue price of R$0.001453488 each, totaling R$1.00; (ii) early exercise of the right to not be diluted in case of exercise, by any of the Management's members, of the Company stock options that these member have under the Company's First Stock Option Plan, resulting in the issue of 1,236,400 common shares, for the issue price of R$0.00008088, totaling R$1.00; and (iii) early exercise of the Subscription Warrant No.3 - Series 3 resulting in the issue of 10,700 new registered common shares, without par value, for the issue price of R$0.009345794 each, totaling R$1.00. The shares issued by the Company due to the exercise of the referred Subscription Warrants were fully subscribed by the shareholder Sommerville Investments B.V. and will be fully paid up in local currency.

On October 9, 2017, the Company's shareholders (except for BKC, which did not hold such right) early exercised the right to not be diluted in case of exercise, by any of the Management's members, of the Company stock options that these member hold under the Company's Second Stock Option Plan, resulting in the issue of 6,660,800 new registered common shares, without par value, for the issue price of R$0.000015013, totaling R$1.00.

22. **Equity**--Continued

Capital--Continued

As a result of the issue of common shares on October 9, 2017, all subscription warrants issued by the Company were properly exercised, the respective shares to which these subscription warrants were entitled were issued and, accordingly, all subscription warrants issued by the Company are legally extinguished (except for Subscription Warrant 1 - Series 2 issued by the Company, whose respective common shares deriving from their exercise were issued on November 22, 2017, as shown below). Also as a result of the issue of common shares on October 9, 2017, no Company shareholder has the right to not be diluted in future issues of common shares by the Company, for any reason whatsoever.

On October 11, 2017, the Company's shareholders approved: (i) the conversion of the 36,179,000 preferred shares, all held by the shareholder Montjuic Fundo de Investimento em Participaçöes, into 361,798 common shares issued by the Company, as well as the extinguishment of the Company's preferred shares; (ii) the reduction of the Company's capital from 151,161,500 common shares to 72,802,867 common shares; and (iii) the split of all the common shares representing the Company's capital, at a ratio of 1 common share for 100 common shares, distributed among the shareholders proportionate to the interest held by each shareholders before the split, maintaining the Company's capital of R$1,506.

On November 22, 2017, the capital increase to R$5,758 was approved, through the issue of 4,252,600 new registered common shares, without par value, at the issue price of R$4.7381 each, due to the exercise of the Subscription Warrant 1 - Series 2, held by Mr. Luiz Eduardo Batalha. The share premium reserve was calculated by the difference between the share par value (R$1.00 - one real) and the adjusted contingent consideration of R$47,284, previously recorded as non-current liabilities in "Contingent Considerations of Acquisitions".

On November 23, 2017, the capital increase to R$9,683 was approved, through the issue of R$2,662,200 new common shares, at the issue price of R$9.0473 per share due to the stock options granted within the Company's First Stock Options Plan and the issue of 1,262,300 new common shares, at the issue price of R$6.8064 per share due to the stock options granted within the Company's Second Stock Options Plan. The share premium reserve was calculated by the difference between the share par value (R$1.00 - one real) and the subscription values (R$9.0473 and R$6.8064 respectively). The transaction amounted to R$32,678, of which R$3,925 for Capital and R$28,753 for Capital Reserve, and its settlement was made in cash in December 2017.

(Amounts in thousands of reais)

22. Equity--Continued

Capital--Continued

On December 14, 2017, the capital increase to R$895,836 was approved, through the issue of 49,230,769 new common shares, at the issue price of R$18.00 per share, within the Public Offering of Shares, which totaled R$886,153, whose costs with banks, lawyers, consultants and others amounted to R$48,578 related to the IPO, recorded as a reduction of "Capital Reserve" account in accordance with CPC 08 - Transaction Costs and Premiums on the Issue of Securities. The proceeds were received on December 20, 2017.

At December 31, 2017, the Company had no other Subscription Warrant outstanding.

Allocation of profits

The Company's Bylaws provide for the following allocations of profit:

(i) Mandatory dividend of 25% of the profit for the year.

(ii) The remaining balance of the profit will be allocated as decided by the General Meeting.

The Company did not provide for dividends in 2017, due to the absorption of the profit for the year into accumulated losses, and in 2016 due to the loss for the year:

	Parent company and Consolidated	
	2017	**2016**
Profit (loss) for the year	**3,819**	(93,456)
Accumulated losses		
Opening balance	**(198,183)**	(104,727)
Absorption of profit (loss) for the year	**3,819**	(93,456)
Closing balance	**(194,364)**	(198,183)

(Amounts in thousands of reais)

23. Earnings (loss) per share

Based on CPC 41 - Earnings per Share, the Company must disclose the basic and diluted 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 year, 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 periods, using the weighted average share price.

The following table presents the calculation of the basic and diluted earnings (loss) per share. Due to the loss for the year ended December 31, 2016, the shares with potential dilutive effect are not considered, since the impact would be the anti-dilution.

	Parent company and Consolidated	
	2017	**2016**
Basic numerator		
Profit (loss) for the year	**3,819**	(93,456)
Basic denominator		
Basic weighted average number of shares	**158,476,527**	125,650,600
Basic earnings (loss) per share	**0.00002**	(0.0007)
Diluted numerator		
Profit (loss) for the year	**3,819**	(93,456)
Diluted denominator		
Weighted average number of shares	**158,476,527**	125,650,600
Stock options (Note 34)	**2,830,900**	4,297,000
Anti-dilutive effect	**-**	(4,297,000)
Diluted weighted average number of shares	**161,307,427**	125,650,600
Diluted earnings (loss) per share	**0.00002**	(0.0007)

(Amounts in thousands of reais)

24. Net operating revenue

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Gross sales revenue	**1,917,672**	1,455,431	**1,917,672**	1,499,991
Sales revenues deductions	**(148,082)**	(115,046)	**(148,082)**	(118,053)
Net sales revenue	**1,769,590**	1,340,385	**1,769,590**	1,381,938
Gross revenue from services rendered	**15,089**	12,042	**15,089**	12,042
Service revenue deductions	**(841)**	(697)	**(841)**	(696)
Net Service revenue	**14,248**	11,345	**14,248**	11,346
Total net operating revenue	**1,783,838**	1,351,730	**1,783,838**	1,393,284

25. Costs of sales

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Costs of food, beverages and packaging	**(630,801)**	(486,020)	**(630,801)**	(504,289)
Other costs (i)	**(57,070)**	(22,013)	**(57,070)**	(22,013)
Cost of sales and services	**(687,871)**	(508,033)	**(687,871)**	(526,302)

(i) The increase is mainly due to the cost of logistics in view of the migration of stores to a purchase model through the Company-owned distribution center.

26. Expenses with stores

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Administrative personnel expenses	**(308,198)**	(249,049)	**(308,198)**	(252,877)
Royalties and marketing fund	**(160,078)**	(131,784)	**(160,078)**	(135,778)
Occupancy and utilities expenses	**(221,930)**	(165,023)	**(221,930)**	(169,922)
Depreciation and amortization (Notes 12 and 13)	**(109,253)**	(91,682)	**(110,197)**	(94,206)
Preoperating expenses (*)	**(6,138)**	(6,255)	**(6,138)**	(6,255)
Sundry services	**(39,127)**	(43,534)	**(39,127)**	(44,516)
Repairs and maintenances	**(27,678)**	(20,916)	**(27,678)**	(21,868)
Others	**(61,786)**	(48,475)	**(61,863)**	(50,741)
Total expenses on stores	**(934,188)**	(756,718)	**(935,209)**	(776,163)

(*) 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.

(Amounts in thousands of reais)

27. General and administrative expenses

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Administrative personnel expenses	**(85,845)**	(67,811)	**(85,845)**	(68,498)
Administrative occupancy and utilities expenses	**(1,135)**	(2,775)	**(1,135)**	(2,947)
Depreciation and amortization (Notes 12 and 13)	**(9,500)**	(9,190)	**(9,500)**	(9,190)
Expenses on acquisitions and mergers (i)	**(2,098)**	(2,764)	**(2,098)**	(2,764)
Disposal of property and equipment and intangible assets (Notes 12 and 13)	**(17,867)**	(3,627)	**(17,912)**	(5,022)
Income from stores sold	**10,155**	-	**10,155**	-
Write-off of assets of stores sold	**(9,113)**	-	**(9,113)**	-
Gain (loss) on claims	**309**	(247)	**309**	(247)
Provision for impairment (Note 12)	**4,627**	(1,049)	**4,627**	(1,049)
Stock options cost (Note 34)	**(5,518)**	(304)	**(5,518)**	(304)
Other operating income (expenses), net (ii)	**20,611**	14,684	**20,580**	14,022
Total general and administrative expenses	**(95,374)**	(73,083)	**(95,450)**	(75,999)

(i) Mainly comprised of expenses on third parties related to the acquisitions and mergers carried out during the year.
(ii) Refer to the income from the premium on the initial supply agreement and reversal of costs on the construction of stores, expenses with provision for legal claims, services taken and travel expenses.

28. Financial expenses

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Interest on loans and financings	**(63,117)**	(76,252)	**(63,190)**	(80,827)
Banking expenses and sundry interest	**(4,849)**	(3,512)	**(4,960)**	(3,556)
Foreign exchange losses	**(582)**	(4,523)	**(582)**	(4,526)
Swap expenses	**(438)**	(20,514)	**(438)**	(20,514)
Adjustment to the contingent consideration payable balance (Note 4.1)	**(9,527)**	(26,027)	**(9,527)**	(26,027)
Other finance expenses	**(4,915)**	(6,127)	**(5,992)**	(6,623)
Finance expenses	**(83,428)**	(136,955)	**(84,689)**	(142,073)

29. Financial income

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Short- terms interest and yield	**25,986**	15,522	**26,373**	15,524
Foreign exchange gains	**2,093**	22,186	**2,093**	22,186
Swap income	**4**	3,237	**4**	3,237
Taxes on finance income	**(1,260)**	(794)	**(1,260)**	(794)
Other finance income	**1,216**	1,044	**1,215**	1,381
Finance income	**28,039**	41,195	**28,425**	41,534

(Amounts in thousands of reais)

30. Income tax and social contribution

Breakdown of expenses

The breakdown of income tax and social contribution expenses for the years ended December 31, 2017 and 2016 is as follows:

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Current	-	-	**-**	(361)
Deferred	**(5,225)**	(7,376)	**(5,225)**	(7,376)
	(5,225)	(7,376)	**(5,225)**	(7,737)

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 operations for the years ended December 31, 2017 and 2016 is shown below:

	Parent company		Consolidated	
	2017	**2016**	**2017**	**2016**
Profit (loss) before income tax and social contribution	**9,044**	(86,080)	**9,044**	(85,719)
Income tax and social contribution expense at the combined statutory rate of 34%	**(3,075)**	29,267	**(3,075)**	29,144
Adjustments to reconcile the effective rate:				
Equity pickup	**(670)**	(1,433)	**-**	-
Deferred taxes not recognized	**(10,487)**	(29,331)	**(10,487)**	(29,331)
Payment of non-deductible bonus	**(2,301)**	(1,543)	**(2,301)**	(1,543)
Cash shortage	**(480)**	(550)	**(480)**	(550)
Tax and labor fines and infractions	**(217)**	(402)	**(217)**	(402)
Stock options costs	**(1,876)**	(103)	**(1,876)**	(103)
Share issue costs	**16,517**	-	**16,517**	-
Preoperating expenses	**(2,087)**	(2,127)	**(2,087)**	(2,127)
Other permanent differences	**(549)**	(1,154)	**(1,219)**	(2,825)
Income tax and social contribution	**(5,225)**	(7,376)	**(5,225)**	(7,737)

(Amounts in thousands of reais)

30. Income tax and social contribution--Continued

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

The deferred tax credits presented in the consolidated balances were set up and adjusted under the assumption of their future realization, in accordance with IAS 12 - Income Taxes, which prescribes the essential conditions for the recognition and maintenance of deferred assets arising from temporary differences and tax loss carryforwards.

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

	Parent company and Consolidated	
	2017	**2016**
Deferred income tax and social contribution - assets	**-**	4,296
Deferred income tax and social contribution - liabilities	**(38,309)**	(33,085)
	(38,309)	(28,789)

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

	Parent company and Consolidated	
	2017	**2016**
Tax loss carryforwards	**190,859**	158,862
Temporary differences		
Provision for legal claims (Note 20)	**6,221**	3,932
Provision for bonuses	**24,891**	17,843
Provision for purchases	**1,426**	295
Provision for Impairment (Note 12)	**3,328**	7,955
Preoperating	**15,749**	13,128
Adjustment to the contingent consideration payable balance	**-**	26,027
Accrued expenses	**15,791**	9,887
Others	**47**	2,264
Tax base	**258,312**	240,193
Statutory rate	**34%**	34%
	87,826	81,666
(-) Unrecognized deferred taxes	**(87,826)**	(77,370)
Deferred income tax and social contribution - assets	**-**	4,296
Transitional Tax System (RTT)	**(1,743)**	-
Financial charges to be incurred	**(13,499)**	(17,843)
Tax amortization of goodwill	**(97,304)**	(78,316)
Gain (loss) on derivative transactions	**(127)**	-
Others	**-**	(1,152)
Tax base	**(112,673)**	(97,311)
Combined rate	**34%**	34%
Deferred income tax and social contribution - liabilities	**(38,309)**	(33,085)
Deferred income tax and social contribution, net	**(38,309)**	(28,789)

30. Income tax and social contribution--Continued

In view of the expectations of future taxable profit, the Company elected to provide for the balance of deferred income and social contribution assets, up to the expected limit of utilization allowed for 2018. The Company does not consider the balance of tax losses of its subsidiaries since there is no expectation of future realization.

Enrollment in the tax debt refinancing program (PERT)

In September 2017, the Company and its subsidiaries enrolled in the tax debt refinancing program (PERT). On that occasion, the Company used R$12,636 of its tax loss to offset the remaining balances of federal and social security taxes.

31. 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 agrees policies for managing each of these risks that are summarized below:

Market risk

Market risks is the risk that the fair value of future cash flows of a financial instrument 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 and financings, 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 2018. 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 of December 31, 2017 .

(Amounts in thousands of reais)

31. Financial risk management objectives and policies--Continued

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's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Interest rate sensitivity

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

	Parent company		Consolidated	
Variable rate instruments	**2017**	**2016**	**2017**	**2016**
Financial assets				
Financial investments (Note 5)	**82,231**	206,916	**82,341**	210,339
Marketable securities (Note 6)	**1,089,669**	75,756	**1,089,669**	75,756
Financial liabilities				
Loans and financings (Note 14)	**(485,707)**	(602,919)	**(485,707)**	(607,973)

The following table demonstrates the possible impacts on profit or loss in the event of the respective scenarios presented, and for the probable scenario we used the average CDI of 10.07%.

			Consolidated				
			I	**II**	**III**	**IV**	**V**
Asset exposure	**Exposure**	**Risk**	**Probable**	**50%**	**25%**	**(25%)**	**(50%)**
Financial investments (Notes 5 and 6)	**1,172,010**	**DI variation**	**26,373**	**12,993**	**6,497**	**(6,497)**	**(12,993)**
Loans and financings (Note 14) (a)	**(475,130)**	**DI variation**	**(63,190)**	**(31,558)**	**(15,779)**	**15,779**	**31,558**

(a) Comprise only the loans and financings subject to variable rates.

(Amounts in thousands of reais)

31. Financial risk management objectives and policies--Continued

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk is subject to significant fluctuations due to the volatility of the exchange rate on liabilities denominated in foreign currencies, mainly the U.S. dollar. The Company's exposure is basically related to the purchase of machinery and equipment and raw materials, payment of royalties and franchise fee in foreign currency. In order to mitigate the foreign currency risk, the Company entered into hedge transactions through NDF contracts.

Foreign currency sensitivity

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

				Parent company and Consolidated				
				I	II	III	IV	V
Asset exposure	**Exposure**	**Risk**	**Exchange rate as of 12/31/2017**	**Probable scenario**	**50%**	**25%**	**(25%)**	**(50%)**
Royalties/Franchise Fee (Note 16)	**13,966**	**US dollar variation**	**3.3074**	**13,966**	**(6,983)**	**(3,492)**	**3,492**	**(6,983)**

Since the average payment period of Royalties and Franchise Fee is lower than 30 days, the Company assesses the risk of currency volatility as low. Therefore, the Company used as probable scenario the rate in effect as of December 31, 2017.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract. Since it refers to a retail activity and due to the type of sale (with credit, debit and meal cards), this is not a significant risk to the Company.

The Company has a internal policy that restricts the exposure to credit risks associated to cash and cash equivalents and market securities, with limits among financial institutions, ratings and liquidity criteria.

(Amounts in thousands of reais)

31. Financial risk management objectives and policies--Continued

Credit risk--Continued

The following table demonstrates the rating of the amounts invested (Notes 5 and 6) according to the rating agency Fitch.

	Parent company		Consolidated	
Rating	**2017**	**2016**	**2017**	**2016**
AAA	**543,601**	108,537	**543,711**	111,960
AA+	**66,947**	87,167	**66,947**	87,167
AA-	**557,921**	76,690	**557,921**	76,690
BBB+	**3,431**	10,278	**3,431**	10,278
	1,171,900	282,672	**1,172,010**	286,095

Liquidity risk

Liquidity risk represents the possibility of a mismatch between maturities of assets and liabilities, which could result in an inability to meet obligations by the established due dates. It is the Company's general policy to maintain adequate liquidity levels to ensure that present and future obligations are met, and taking advantage of commercial opportunities as they arise. Management believes that the Company is not exposed to significant liquidity risk considering its cash generation capacity.

In addition, mechanisms and tools to raise funds are periodically analyzed in order to reverse positions that could affect the Company's liquidity.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31, 2017:

	Parent company					
	Carrying amount	**Financial flow**	**Less than 3 months**	**from 3 months to 1 year**	**from 1 to 5 years**	**Total**
Assets						
Cash and cash equivalents (Note 5)	**102,235**	**102,235**	**102,235**	**-**	**-**	**102,235**
Marketable securities (Note 6)	**1,089,669**	**1,089,669**	**-**	**1,076,384**	**13,285**	**1,089,669**
Trade receivables (Note 7)	**60,958**	**60,958**	**60,958**	**-**	**-**	**60,958**
Liabilities						
Loans and financings (Note 14)	**485,707**	**545,796**	**37,733**	**198,480**	**309,583**	**545,796**
Trade and rental payables (Note 15)	**138,953**	**138,953**	**138,953**	**-**	**-**	**138,953**
Corporate payables (Note 16)	**13,966**	**13,966**	**13,966**	**-**	**-**	**13,966**
Taxes payable (Note 17)	**16,051**	**16,051**	**4,006**	**12,017**	**28**	**16,051**

(Amounts in thousands of reais)

31. Financial risk management objectives and policies--Continued

Liquidity risk--Continued

	Consolidated					
	Carrying amount	Financial flow	Less than 3 months	from 3 months to 1 year	from 1 to 5 years	Total
Assets						
Cash and cash equivalents (Note 5)	102,345	102,345	102,345	-	-	102,345
Marketable securities (Note 6)	1,089,669	1,089,669	-	1,076,384	13,285	1,089,669
Trade receivables (Note 7)	60,958	60,958	60,958	-	-	60,958
Liabilities						
Loans and financings (Note 14)	485,707	545,796	37,733	198,480	309,583	545,796
Trade and rental payables (Note 15)	138,997	138,997	138,997	-	-	138,997
Corporate payables (Note 16)	13,966	13,966	13,966	-	-	13,966
Taxes payable (Note 17)	25,385	25,385	5,068	15,204	5,113	25,385

The cash flows included in the Company’s maturity analyses are not expected to occur significantly sooner or in amounts significantly different.

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.

(Amounts in thousands of reais)

31. Financial risk management objectives and policies--Continued

Capital management--Continued

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

	Consolidated	
	2017	**2016**
Equity	**1,617,194**	540,320
Cash and cash equivalents (Note 5)	**(102,345)**	(256,920)
Marketable securities (Note 6)	**(1,089,669)**	(75,756)
Derivative financial instruments (Note 32)	**(127)**	-
Loans and financings (Note 14) (*)	**485,707**	607,973
Net debt	**(706,434)**	275,297
Total capital	**910,760**	815,617

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

32. Derivative financial instruments

	Parent company and Consolidated	
	2017	**2016**
NDF - Non deliverable Forward	**127**	(356)
Total NDF	**127**	(356)

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

			Parent company and Consolidated			
			2017		2016	
Instruments	**Maturity**	**Assets (hedged item)**	**Notional**	**Fair value**	**Notional**	**Fair value**
(Not designated as cash flow hedge)						
NDF	1/13/2017	USD + Fixed rate of 3.3933%	**-**	**-**	540	(70)
NDF	1/3/2017	USD + Fixed rate of 3.3370%	**-**	**-**	205	(17)
NDF	1/31/2017	USD + Fixed rate of 3.3651%	**-**	**-**	332	(29)
NDF	2/24/2017	USD + Fixed rate of 3.3419%	**-**	**-**	317	(13)
NDF	1/3/2017	USD + Fixed rate of 3.3840%	**-**	**-**	1,781	(227)
NDF	1/15/2018	USD + Fixed rate of 4.2209%	**2,932**	**127**	-	-
			2,932	**127**	3,175	(356)

Gains and losses on derivative transactions are recognized monthly in the statement of operations, considering the fair value of these instruments.

33. 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 and liabilities classified into the valuation hierarchy.

As of December 31, 2017, 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.

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 US dollar projections in futures contracts registered with B3 S.A.

(Amounts in thousands of reais)

33. Fair value--Continued

Methodology for calculation of fair value of financial instruments--Continued

The fair value of financial assets and liabilities is included in 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 amounts of the main financial assets and liabilities at fair value approximate their carrying amounts, as shown below:

	Consolidated		
	Carrying amount	**Fair value**	**Fair value hierarchy level**
Assets			
Cash and cash equivalents (Note 5)	**102,345**	**102,345**	**2**
Marketable securities (Note 6)	**1,089,669**	**1,089,669**	**2**
Trade receivables, net (Note 7)	**60,958**	**60,958**	**2**
Liabilities			
Loans and financings (Note 14)	**485,707**	**488,768**	**2**
Trade and rental payables (Note 15)	**138,997**	**138,997**	**2**
Corporate payables (Note 16)	**13,966**	**13,966**	**2**

34. Share-based compensation plan

First Plan

On July 7, 2014, the Annual General Meeting approved the Company's Stock Option Plan. The First Plan establishes general conditions for the Company's acquisition and grant of stock options to members of Management. The First Plan was amended at the Extraordinary General Meeting held on June 22, 2017.

(Amounts in thousands of reais)

34. Share-based compensation plan--Continued

First Plan--Continued

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

	First Plan			
	First tranche	Second tranche	Third tranche	Total
Grant date	7/7/2014	7/7/2014	7/7/2014	N/A
Plan amendment date	6/22/2017	6/22/2017	6/22/2017	N/A
Vesting date	7/14/2018	7/14/2019	7/14/2020	N/A
Exercise price	17.5000	17.5000	17.5000	17.5000
Strike price (estimated) at the end of the reporting period	9.0473	9.0473	9.0473	9.0473
Risk-free interest rate%	8.69%	9.20%	9.87%	N/A
Contractual period by tranche	1 year	2 years	3 years	N/A
Expected return of dividend	0%	0%	0%	N/A
Volatility of shares in the market %	14.91%	14.91%	14.91%	N/A
Total number of options outstanding	236,400	44,600	44,800	325,800
Number of options vested	6,431,000	-	-	6,431,000
Number of options exercised	4,094,800	-	-	4,094,800
Number of options to be exercised	2,572,600	44,600	44,800	2,662,000
Estimated fair value (R$/share)	1.0944	1.2912	1.4832	N/A

Second Plan

On June 22, 2017, the Extraordinary General Meeting approved the Company's Second Stock Option Plan. The Second Plan establishes general conditions for the Company's acquisition and grant of stock options to members of Management.

The participants obtained the right to exercise the first tranche of their options beginning on July 14, 2017 ("Initial Tranche" or "Initial Vesting", as appropriate), and the remaining tranches are exercisable on July 14, 2018 and July 14, 2019, and for the purposes of this participation the "Vesting Period" of each tranche will be the respective whole periods. Notwithstanding, the Management Committee may, at its discretion and at any time, accelerate the vesting period of part or the entirety of the tranches of the participant's options.

Except for BKC, the other Company's shareholders have the right to not being diluted in case of exercise, by any member of the Company's Management, of the Company stock options to which such members are entitled under the Company's second Stock Option Plan. If these options are exercised, the Company's shareholders (except for BKC) will have the right to receive as many Company's shares as necessary to annul the effects of such exercise.

(Amounts in thousands of reais)

34. Share-based compensation plan--Continued

Second Plan--Continued

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

	Second Plan		
	First Tranche	Second Tranche	Total
Grant date	6/22/2017	6/22/2017	N/A
Vesting date	7/14/2018	7/14/2019	N/A
Exercise price	17.5000	17.5000	17.5000
Strike price (estimated) at the end of the reporting period	6.8064	6.8064	6.8064
Risk-free interest rate%	8.69%	9.20%	N/A
Contractual period by tranche	1 year	2 years	N/A
Expected return of dividend	0%	0%	N/A
Volatility of shares in the market %	14.91%	14.91%	N/A
Total number of options outstanding	434,500	827,600	1,262,100
Number of options vested	1,262,300	-	1,262,300
Number of options exercised	1,262,300	-	1,262,300
Number of options to be exercised	434,500	827,600	1,262,100
Estimated fair value (R$/share)	3.2323	3.5470	N/A

Third Plan

On June 22, 2017, the Extraordinary General Meeting approved the Company's Third Stock Option Plan. The Third Plan establishes general conditions for the Company's acquisition and grant of stock options to members of Management.

The participants obtained the right the exercise the first tranche of their options beginning on July 14, 2017 ("Initial Tranche" or "Initial Vesting", as appropriate), and the remaining tranches are exercisable on July 14, 2018, July 14, 2019, July 14, 2020 and July 14, 2021, and for purposes of this participation the "Vesting Period" of each tranche will be the respective whole periods. Notwithstanding, the Management Committee may, at its discretion and at any time, accelerate the vesting period of part or the entirety of the tranches of the participant's options.

(Amounts in thousands of reais)

34. Share-based compensation plan--Continued

Third Plan--Continued

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

	Third Plan				
	First tranche	**Second tranche**	**Third tranche**	**Fourth tranche**	**Total**
Grant date	6/22/2017	6/22/2017	6/22/2017	6/22/2017	N/A
Vesting date	7/14/2018	7/14/2019	7/14/2020	7/14/2021	N/A
Exercise price	17.50	17.50	17.50	17.50	17.50
Strike price (estimated) at the end of the reporting period	10.1618	10.1618	10.1618	10.1618	10.1618
Risk-free interest rate%	8.69%	9.20%	9.87%	10.24%	N/A
Contractual period by tranche	1 year	2 years	3 years	4 years	N/A
Expected return of dividend	0%	0%	0%	0%	N/A
Volatility of shares in the market %	14.91%	14.91%	14.91%	14.91%	N/A
Total number of options outstanding	494,700	988,600	1,482,700	1,482,700	4,448,700
Number of options vested	494,700	-	-	-	494,700
Number of options exercised	-	-	-	-	-
Number of options to be exercised	4,004,800	3,954,000	2,965,400	1,482,700	4,943,400
Estimated fair value (R$/share)	0.609	1.0764	1.5304	1.929	N/A

Below we present the movements of the options of the first, second and third plans:

	First Plan	**Second Plan**	**Third Plan**	**Total**
Outstanding as of December 31, 2016	4,916,100	-	-	4,916,100
Granted	408,100	2,524,400	4,943,400	7,875,900
Canceled	-	-	-	-
Exercised	(2,662,200)	(1,262,300)	-	(3,924,500)
Outstanding as of December 31, 2017	2,662,000	1,262,100	4,943,400	8,867,500
Exercisable as of December 31, 2017 (vested) (Note 23)	2,336,200	-	494,700	2,830,900

In the year ended December 31, 2017, the Company recognized the amount of R$ 5,518 (R$ 304 in 2016) of expenses arising from the stock options plans, recorded in line item General and Administrative Expenses (Note 27).

(Amounts in thousands of reais)

35. Insurance

As of December 31, 2017, 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	32,000
Property (RO) - Average	15,000
Professional Civil Liability (E&O)	10,000
Public Offering Insurance (POSI)	70,000

36. Commitments - operating leases

As of December 31, 2017, the Company has 551 stores under operating leases. These leases usually have an initial lease period of ten years on average, with lease renewal option after this period. Lease payments are adjusted annually, in accordance with market rents. Some leases provide additional rental payments, which are based on changes in local price index.

During the year, a consolidated amount of R$71,359 (R$71,359 consolidated in 2016) was recognized as expense in the statement of profit or loss related to operating leases.

Future minimum lease payments under non-cancelable operating leases considering the stores in operation as of December 31, 2017 are as follows:

	2017
Within one year	108,066
Over one year and less than five years	426,513
Over five years	121,810
	656,389

37. Subsequent events

37.1. Purchase and Sale Agreement for Business Acquisition

The Company is in process of acquisition of all of the shares issued by the franchisees King Food Comércio de Alimentos S.A., Good Food Comércio de Alimentos S.A. and Fast Burger Comércio de Alimentos S.A., which have in total 51 restaurants and 20 dessert kiosks under the brand BURGER KING®. As mentioned in the IPO Memorandum, the approximate amount of the transaction will be R$345 million, which is still under negotiations.

The acquisition is subject to the fulfillment of various suspensive conditions, among them the approval of the transaction by CADE (Brazilian antitrust agency), which occurred satisfactorily on 1/31/2018 for BKB as published in the Federal Official Gazette (“DOU”), the initial public offering of the Company’s shares on December 18, 2017 (Note 1) and the satisfactory conclusion of the legal, accounting, financial and operational due diligence of the companies.

BK Brasil Operação e Assessoria a Restaurantes S.A.

December 31, 2017

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 Rio Negro, 161, 12o andar, 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, 2017.

Barueri, March 6, 2018

Iuri de Araújo Miranda
Chief Executive Officer

Clayton de Souza Malheiros
Chief Financial Officer

BK Brasil Operação e Assessoria a Restaurantes S.A.

December 31, 2017

Officers' Statement on the Independent Auditor's Report

STATEMENT OF COMPLIANCE WITH ARTICLE 25, PARAGRAPH 1, ITEM V, 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 Rio Negro, 161, 12o andar, registered under the Corporate Taxpayer's ID (CNPJ) No. 13.574.594/0001-96 ("Company"), that, in compliance with the provisions of item V, paragraph 1, of article 25 of CVM Instruction 480 of December 7, 2009, we have reviewed, discussed and agreed with the opinion in the independent auditor's report of Ernst & Young Auditores Independentes S.A., related to the Company's Financial Statements for the year ended December 31, 2017.

Barueri, March 6, 2018

Iuri de Araújo Miranda
Chief Executive Officer

Clayton de Souza Malheiros
Chief Financial Officer

Audit Committee Report Summary

BK Brasil Operação e Assessoria a Restaurantes S.A.

December 31, 2017

The Audit Committee of BK Brasil Operação e Assessoria a Restaurantes, S.A. met 7 times in 2017, discussing the area risks, the internal controls implemented, and the action plans in progress.

The Audit Committee approved the Internal Audit work planning, and supervised its execution.

The Audit Committee discussed the audit strategy with the independent auditors, and monitored the work's progress.

The Audit Committee monitored the preparation of the financial statements for the fiscal year ended December 31, 2017, and, at the same time, received said financial statements and discussed them with the independent auditors. Finally, the Audit Committee received and discussed the independent auditors' draft report.

Based on the above-mentioned information and discussions, the Audit Committee recommends that the Board of Directors approve the audited financial statements for the fiscal year ended December 31, 2017.

Barueri, March 2, 2018

Guilherme de Araújo Lins
Audit Committee Coordinator and Board Member

Marcelo Dodsworth Penna
Member of the Committee and Board Member

Guy Almeida Andrade
Member of the Financial Expert Committee