Financial Statements

BK Brasil Operação e Assessoria a Restaurantes S.A.

December 31, 2018
with Independent Auditor's Report
(Free translation from Portuguese into English version)

HIGHLIGHTS

2018X2017 Performance:

- **Net operating revenue** of R$2,348 million in 2018, up 31.6% from 2017;
- **Total of 110 restaurants opened** in 2018, considering the BURGER KING® and POPEYES® brands, leading to net opening of 104 restaurants;
- **Total of 793 restaurants of the BURGER KING® brand** at the end of 2018, reflecting a total of 102 restaurants opened in the year;
- **Total of 8 restaurants of the POPEYES® brand** opened in 4Q18;
- **Comparable sales in same restaurants grew 6.5%** in 2018;
- **Adjusted EBITDA**[1] of R$288 million in 2018, up 36.7% from 2017;
- **Adjusted EBITDA margin** of 12.3%, an improvement of 50 bps compared to 2017;
- **Net income** of R$128 million in 2018, an absolute increase of R$124 million;
- **Distribution of interest on capital** of R$30 million.

FINANCIAL HIGHLIGHTS - R$ MILLION (CONSOLIDATED)	2018	2017	VAR.
NET OPERATING REVENUE	**2,348.3**	**1,783.8**	**31.6%**
ADJUSTED EBITDA[1]	288.0	210.7	36.7%
% OF NET OPERATING REVENUE	*12.3%*	*11.8%*	*50bps*
NET INCOME	**128.0**	**3.8**	**-**
GROSS DEBT[2]	279.1	485.7	-42.5%
NET DEBT[3] (NET CASH)	(323.8)	(706.3)	-54.2%
SHAREHOLDERS' EQUITY	**1,717.0**	**1,617.2**	**6.2%**

OPERATIONAL HIGHLIGHTS	2018	2017	VAR.
# OF RESTAURANTS	**801**	**697**	**104**
OWNED RESTAURANTS			
# OWNED RESTAURANTS BEGINNING OF PERIOD	526	480	46
RESTAURANT OPENINGS	73	64	9
RESTAURANT CLOSINGS	(5)	(10)	5
ACQUISITION / SALE* OF RESTAURANT BUSINESSES	45	(8)	53
# OWNED RESTAURANTS END OF PERIOD	**639**	**526**	**113**
FRANCHISEES RESTAURANTS			
# FRANCHISEES RESTAURANTS BEGINNING OF PERIOD	171	121	50
RESTAURANT OPENINGS	37	44	(7)
RESTAURANT CLOSINGS	(1)	(2)	1
ACQUISITION / SALE* OF RESTAURANT BUSINESSES	(45)	8	(53)
# FRANCHISEES RESTAURANTS END OF PERIOD	**162**	**171**	**(9)**
COMPARABLE SALES GROWTH IN SAME RESTAURANTS (SSS)	**6.5%**	**13.8%**	***-730bps***

*SALE OF COMPANY-OWNED RESTAURANTS TO FRANCHISEES.

[1] "Adjusted EBITDA" is a non-accounting measure adopted by the Company, which corresponds to EBITDA adjusted by pre-operating expenses, expenses with mergers and acquisitions, and other expenses, which the Company's Management believes are not part of the normal course of business and/or distort any analysis of the Company's operating performance, including: (i) write-off of property and equipment (damages, obsolescence, gain (loss) from asset divestment and impairment; and (ii) costs with stock option plan.

[2] Gross debt corresponds to the sum of the current and non-current balances of loans and financing

[3] Net debt (Net cash) corresponds to total debt less the balance of cash and cash equivalents, marketable securities and restricted marketable securities

MESSAGE FROM MANAGEMENT

2018 was another year of solid achievements for BK Brasil, despite all the challenges faced specially during 2Q18 with the truckers' strike and the Soccer World Cup. Among the main achievements of the year, we would like to highlight the signing of the Master Franchise and Development Agreement of the POPEYES brand® in Brazil and the opening of the first 8 restaurants in the country; the acquisition of 51 restaurants of the BURGER KING® brand; the total opening of 110 new restaurants, of which 102 of the BURGER KING® brand; and the growth in comparable sales in same restaurants above nominal GDP.

Operationally, in 2018 the Company once again demonstrated its strong execution capacity and a great focus on profitability. Our pace of expansion remained solid with the opening of 110 restaurants, being 73 company-owned restaurants, and in 2018 we became the largest operator and developer of fast food restaurants in the country. During the year, we opened 102 BURGER KING® restaurants and closed 6 restaurants, thus ending the year with a total of 793 restaurants of the brand. We remain focused on increasing our company-owned free standing restaurant base, and for this format we accelerated the pace of opening by more than 80%, jumping from 16 openings in 2017 to 29 in 2018.

In 2018, the Company achieved net operating revenue of R$2,348 million (+31.6% vs. 2017), reflecting the acquisition of 51 restaurants and growth of comparable sales in same restaurants of 6.5%. This growth demonstrates the strong positioning of the BURGER KING® brand in Brazil, supported by a consistent marketing strategy focused on creativity, boldness, and presence in issues relevant to its customers. Among the highlights are the "*Whopper em Branco*" campaign held during the presidential elections, and the "*Conheça a Diferença*" campaign that showed the difference between prejudice and opinion. Moreover, during the year we continued to innovate on our product platforms, notably the launches of the Mega Stacker family, the *dulce the leche* ice cream flavor and emojis in the toy line for the Kids platform, in addition to the Unicorn Shake, which celebrated diversity, and the unusual Pizza Burger.

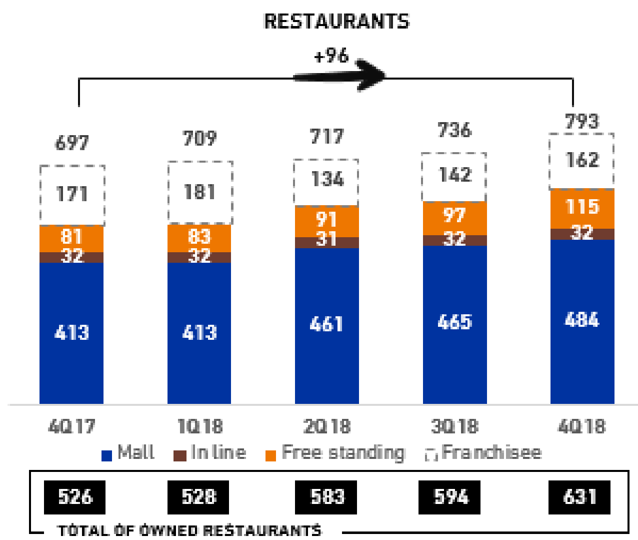
Regarding the operating result, we achieved an adjusted EBITDA of R$288 million, a robust growth of 36.7% when compared to 2017. Despite the impact of the truckers' strike in 2Q18, the company maintained its operational leverage and improved its gross margin, leading to an adjusted EBITDA margin of 12.3% (compared to 11.8% in 2017).

Net income grew significantly in 2018, reaching R$128 million against income of R$4 million in 2017, due to our strong revenue growth, constant focus on cost control, and lower financial leverage. Thus, we will carry out for the first time in our history the distribution of profits, through the proposal for payment of Interest on Capital of R$30 million.

The enhancement of the digital strategy, with our mobile order-and-pay app, expansion of the delivery service and in-store wi-fi solution, offer more convenience and experience to our guests.

BURGER KING® restaurant expansion[4]

During 2018, BURGER KING® system opened 102 new restaurants, of which 65 were company-owned restaurants and 37 were franchisees. Considering only restaurants operated by BK Brasil, net of sale of restaurant businesses[5] (7 restaurants) and acquisitions (52 restaurant), the Company ended the quarter with 631 company-owned restaurants, an increase of 105 restaurants from 2017, including the acquisition of franchisees announced in April 2018 (51 restaurants).



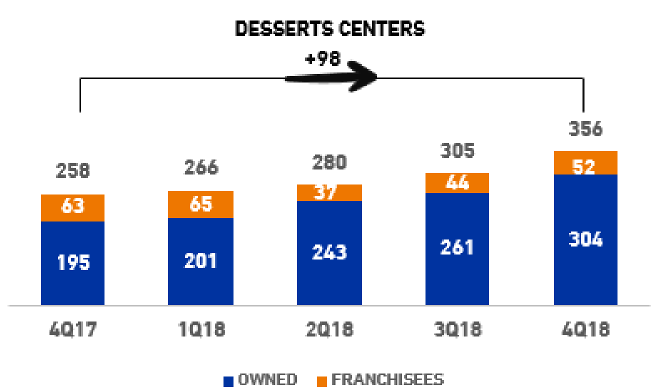
As for franchised restaurants, BURGER KING® system ended the year with 162 restaurants. As such, the BURGER KING® system ended 2018 with a total of 793 restaurants operating across the country, a net increase of 96 restaurants.

With regard to the company-owned restaurants of the free standing format, 29 restaurants were opened in 2018 compared to 16 openings in 2017, a strong acceleration of 80% and representing roughly half of the year's net openings of BURGER KING's® company-owned restaurants.

BURGER KING® desert centers expansion

In addition to the 793 restaurants, the BURGER KING® system ended 2018 with 356 dessert centers, an increase of 98 units when compared to 2017.

In 4Q18, we adjusted the dessert centers classification to better reflect the different points of sale of the BURGER KING® brand. We consider as dessert center all dessert outlets segregated from the counter, including both the traditional dessert kiosks and the dessert centers located inside the restaurants, but not physically attached to the counter (stand-alone).



[4] Mall: Shopping malls, hypermarkets and air | road terminals; In line: Stores with direct access to the public thoroughfare, which have internal lounges with tables and seats; Free standings: Street stores with drive-thru.

[5] Sale of company-owned restaurants to franchisees.

POPEYES® restaurant expansion

As announced on March 20, 2018, the Company acquired the exclusive right to develop and operate restaurants, through its own operations or franchisees, under the POPEYES® brand in Brazil for a period of 20 years.

On October 10, 2018, the first restaurant with the POPEYES® brand was opened in Brazil, at Shopping Metrô Itaquera, in São Paulo.

In total, 8 restaurants were opened in 4Q18, in line with the plan for gradual expansion of the number of restaurants of the brand in the country.

Net operating revenue

In 2018, net operating revenue grew 31.6% when compared to 2017, leveraged by the comparable sales growth of 6.5%, the solid performance of the new stores opened during the year and the consolidation of the restaurants acquired from franchisees in 2Q18.

Cost of goods sold and selling expenses

In 2018, total restaurant expenses were R$2,111 million, representing 89.9% of net operating revenue, an improvement of 110 bps versus 2017. Cost of goods sold represented 38.0% of net operating revenue in the year, improving 60 bps compared to 2017. Lastly, selling expenses at restaurants (excluding depreciation and amortization) represented 46.6% of net operating revenue, increasing 40 bps, mainly reflecting higher expenses with maintenance and repairs and pre-operating expenses, due to more openings of free standing restaurants.

Total general and administrative expenses

In 2018, corporate general and administrative expenses (G&A) represented 3.6% of net operating revenue, a drop of 10 bps versus 2017, reflecting the Company's operating leverage.

Adjusted EBITDA

In 2018 adjusted EBITDA reached R$288 million, an increase of 36.7% compared to 2017. As a result, the adjusted EBITDA margin was 12.3% in 2018, 50 bps higher than in the previous year.

EBITDA - R$ MILLION	2018	2017	VAR %
INCOME (LOSS) FOR THE PERIOD	**128.0**	**3.8**	**-**
(+) FINANCIAL INCOME (LOSS)	(10.9)	56.3	-
(+) DEPRECIATION AND AMORTIZATION	133.1	119.7	11.2%
(+/-) INCOME TAX AND SOCIAL CONTRIBUTION	9.7	5.2	85.3%
EBITDA	**260.0**	**185.0**	**40.5%**
EBITDA MARGIN	*11.1%*	*10.4%*	*70bps*
(+) OTHERS EXPENSES*	7.1	11.9	-40.4%
(+) COST OF STOCK OPTION PLAN	4.5	5.5	-18.7%
(+) MERGE AND ACQUISITION EXPENSES	6.7	2.1	219.9%
(+) PRE-OPERATING EXPENSES	9.7	6.1	57.7%
ADJUSTED EBITDA[1]	**288.0**	**210.7**	**36.7%**
ADJUSTED EBITDA MARGIN	*12.3%*	*11.8%*	*50bps*

*Include write-off of property and equipment (damages, obsolescence, gain (loss) from asset divestment and impairment).

Net income

In 2018, the Company posted a net income of R$128 million against R$4 million in 2017, an increase of R$124 million, due to better operating and financial results, as well as the non-recurring effect of the recognition of deferred income tax asset in the amount of R$30 million.

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 due diligence services and provision of tax services, which totaled R$173 thousand or approximately 10% 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, February 27, 2019.

Board of Executive Officers

BK Brasil Operação e Assessoria a Restaurantes S.A.

Financial statements

December 31, 2018

Contents

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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 and Board of Directors 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 sheet as of December 31, 2018, and the statements of income, of comprehensive income, of changes in equity and cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the accompanying 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, 2018, 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 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 of the Company.

- **Goodwill impairment test**

On December 31, 2018, as explained in Note 13, goodwill, generated in business combinations in 2018 and prior years, totaled R$184,917 thousand, in the Parent Company, and, R$574,941 thousand, in the Consolidated, representing 7.4% and 22.7% of total assets, on that date. At least once a year, the Company performs the impairment test based on estimates of future profitability based on the business plans and annual budget, adopted by Management. The methodology and model used to determine the recoverable value of these assets, which were based on the Company's discounted cash flow, an estimate for which subjective assumptions were used by Management that involve a reasonable degree of judgment, information and expected market and economic conditions, mainly in terms of sales and costs growth, discount rates and country risk.

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

How our audit conducted this matter:

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

Additionally, we compared the recoverable amount determined by the Company's Management, based on the discounted cash flow, with the book value of the goodwill and assets of the cash generating unit, and evaluated the adequacy of the disclosures in Note 13 to the financial statements as of December 31, 2018.

Based on the results of the auditing procedures performed on the goodwill impairment test, which is consistent with management's assessment, we consider that the criteria and assumptions of goodwill used by management, as well as the respective disclosures in Note 13, are acceptable in the context of the financial statements taken as a whole.

- **Property and equipment impairment test**

According to Note 12, as of December 31, 2018, the balance of property and equipment, net, totaled R$884,836 thousand, in the Parent Company, and, R$928,225 thousand, in the Consolidated, representing 35.3% and 36.6% of total assets. The Company, periodically, evaluates the recoverable value of the property and equipment allocated to the restaurants, based on estimates of the future cash generation of each restaurant, for decision on whether to recognize a provision or not, and, consequently, to decide whether or not to continue restaurants that are not performing as expected and estimated. The methodology and modeling used to calculate the recoverable value of these assets were based on the discounted cash flow of each restaurant, an estimate for which subjective assumptions were used by Management, which involve a reasonable degree of judgment, information and expected market and economic conditions, mainly in terms of sales and cost growth, restaurant performance evaluations and discount rates.

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

How our audit conducted this matter:

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

Additionally, we compared the recoverable amount determined by the Company's Management, based on the discounted cash flow of each restaurant, with the book value of property and equipment and evaluated the adequacy of the disclosures in Note 12 to the financial statements as of December 31, 2018.

Based on the results of the audit procedures performed on the impairment test of property and equipment, which is consistent with management's assessment, we consider that the criteria and assumptions used, as well as the respective disclosures in Note 12, are acceptable in the context of the financial statements taken as a whole.

- **Deferred tax assets impairment test**

As described in Note 30, the Company has R$23,459 thousand, in the Parent Company, and, R$28,680 thousand, in the Consolidated, corresponding to deferred tax credits arising from temporary differences, whose recognition and recoverability are based on a study prepared internally by the Management, about the generation of future taxable income. The preparation of such a study requires significant judgment in determining the projection of future taxable income.

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

How our audit conducted this matter:

Our auditing procedures included, but were not limited to, the use of specialized tax professionals to analyze the tax bases according to current tax legislation. We analyze and evaluate the assumptions and methodology used by Management in the projections of future taxable income, such as changes in sales and costs, taxable income, tax rates, arithmetic and mathematical calculations, as well as comparing certain projection data, when available, with other external sources and alignment of these premises with the business plans approved by the Company's competent bodies. We compare the assertiveness of projections made in previous periods in relation to the performance achieved by the Company. Additionally, we have analyzed the adequacy of the disclosures made in Note 30 to the individual and consolidated financial statements.

Based on the results of the audit procedures performed on the recognition, measurement and recoverability of deferred tax assets through the availability of future taxable income, which is consistent with management's assessment, we consider that the criteria and assumptions of recoverable value of deferred tax assets adopted by the Company Management, as well as the respective disclosures in Note 30, are acceptable, in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Value Added Statements

The individual and consolidated value added statements (VAS) for the year ended December 31, 2018, prepared under the responsibility of the Company's Management, and presented as supplementary information for IFRS purposes, were subject to jointly executed auditing procedures with the audit of the Company's financial statements. For the purposes of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Added Value Statements. In our opinion, these statement have been properly prepared, in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

The Company's Management is responsible for other information that comprises the Management Report.

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

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

Management and governance responsibility for the individual and consolidated financial statements

Management is responsible for the preparation and adequate presentation of the individual and consolidated financial statements, in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for internal controls that it has determined as necessary to enable the preparation of financial statements free of material misstatement, whether caused by fraud or error.

In the preparation of the individual and consolidated financial statements, Management is responsible for evaluating the Company's ability to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of this accounting basis in the preparation of the financial statements, unless Management intends to liquidate the Company and its subsidiaries or cease its operations, or has no realistic alternative to avoid closing the operations.

Those responsible for the governance of the Company and its subsidiaries are those responsible for supervising the process of preparing the financial statements.

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working world

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 evaluate the risks of material misstatement in the individual and consolidated financial statements, whether caused by fraud or error, we plan and perform audit procedures in response to such risks, and obtain audit evidence appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that of error, since fraud may involve circumvention of internal controls, collusion, forgery, omission, or willful misrepresentation.

- Obtain an understanding of the internal controls relevant to the audit to plan audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal controls.

- Evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by Management.

- Conclude on the adequacy of Management's use of the accounting basis for operational continuity and, based on the audit evidence obtained, whether there is a material uncertainty regarding events or conditions that may raise significant doubt regarding the Company's operational continuity Company and its subsidiaries. If we conclude that there is material uncertainty, we should draw attention in our audit report to the respective disclosures in the individual and consolidated financial statements or include modification in our opinion if the disclosures are inadequate. Our findings are based on audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company and its subsidiaries to no longer be in operational continuity.

- Evaluate the overall presentation, structure and content of financial statements, including disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner consistent with the appropriate presentation objective.

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, February 27, 2019.

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, 2018 and 2017
(Values expressed in thousands of Reais)

		Parent company		Consolidated	
	Notes	**2018**	**2017**	**2018**	**2017**
Assets					
Current Assets					
Cash and cash equivalents	**5**	**166,962**	102,235	**174,963**	102,345
Marketable securities	**6**	**399,790**	1,073,900	**413,136**	1,073,900
Restricted marketable securities	**6**	**2,486**	2,484	**2,486**	2,484
Trade receivables, net	**7**	**59,528**	60,958	**59,603**	60,958
Derivative financial instruments	**32**	**90**	127	**90**	127
Inventories	**8**	**81,276**	39,743	**81,276**	39,743
Taxes recoverable	**9**	**35,546**	22,448	**40,393**	24,993
Advances paid	**10**	**26,618**	24,762	**26,622**	24,762
Related parties	**21**	**3,753**	2,162	**-**	-
Other receivables		**20,609**	8,966	**21,146**	9,136
Total current assets		**796,658**	1,337,785	**819,715**	1,338,448
Non-current assets					
Restricted marketable securities	**6**	**12,361**	13,285	**12,361**	13,285
Taxes recoverable	**9**	**15,551**	17,282	**15,551**	17,282
Judicial deposits	**20**	**30,382**	26,537	**30,903**	26,566
Other receivables		**4,561**	4,218	**4,561**	4,218
Investments	**11**	**462,653**	17,965	**-**	-
Property and equipment, net	**12**	**884,836**	695,647	**928,225**	699,642
Intangible assets, net	**13**	**293,792**	293,523	**714,316**	316,114
Total non-current assets		**1,704,136**	1,068,457	**1,705,917**	1,077,107
Total assets		**2,500,794**	2,406,242	**2,525,632**	2,415,555
Liabilities and Equity					
Current liabilities					
Loans and financings	**14**	**161,581**	209,987	**161,581**	209,987
Trade and rental payables	**15**	**239,470**	138,953	**241,243**	138,997
Payroll and social charges		**94,620**	69,830	**95,163**	69,830
Corporate payables	**16**	**17,950**	13,966	**17,961**	13,966
Taxes payable	**17**	**30,327**	16,023	**33,781**	20,272
Deferred revenue, net	**18**	**9,091**	-	**9,091**	-
Related parties	**21**	**5,664**	74	**-**	-
Dividends and interest on capital	**22**	**26,726**	-	**26,726**	
Other payables	**19**	**13,045**	19,937	**14,129**	19,946
Total current liabilities		**598,474**	468,770	**599,675**	472,998
Non-current liabilities					
Loans and financings	**14**	**117,532**	275,720	**117,532**	275,720
Provision for legal claims	**20**	**9,539**	6,221	**10,730**	6,221
Taxes payable	**17**	**-**	28	**21,753**	5,113
Deferred revenue, net	**18**	**26,396**	-	**26,396**	-
Deferred income tax and social contribution	**30**	**17,713**	38,309	**12,492**	38,309
Other payables	**19**	**14,180**	-	**20,094**	-
Total non-current liabilities		**185,360**	320,278	**208,997**	325,363
Equity	**22**				
Capital		**898,233**	895,836	**898,233**	895,836
Capital reserve and stock options plan		**721,102**	915,722	**721,102**	915,722
Other comprehensive (loss)		**(2)**	-	**(2)**	-
Earnings reserve		**97,627**	-	**97,627**	-
Accumulated losses		**-**	(194,364)	**-**	(194,364)
Total equity		**1,716,960**	1,617,194	**1,716,960**	1,617,194
Total Liabilities and Equity		**2,500,794**	2,406,242	**2,525,632**	2,415,555

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of income
Years ended December 31, 2018 and 2017
(Values expressed in thousands of Reais, except earnings per share in Reais)

		Parent company		Consolidated	
	Notes	2018	2017	2018	2017
Net operating revenue	24	2,186,244	1,783,838	2,348,333	1,783,838
Cost of sales	25	(832,031)	(687,871)	(891,292)	(687,871)
Gross profit		1,354,213	1,095,967	1,457,041	1,095,967
Operating expenses					
Expenses with stores	26	(1,145,177)	(934,188)	(1,219,711)	(935.209)
General and administrative expenses	27	(101,715)	(95,374)	(110,510)	(95.450)
Equity pickup	11	15,492	(1,972)	-	-
Profit before financial income (expenses) and taxes		122,813	64,433	126,820	65,308
Financial expenses	28	(42,146)	(83,428)	(44,608)	(84,689)
Financial income	29	51,035	28,039	55,505	28,425
Financial income (expenses), net		8,889	(55,389)	10,897	(56,264)
Profit before income tax and social contribution		131,702	9,044	137,717	9,044
Income tax and social contribution	30	(3,666)	(5,225)	(9,681)	(5,225)
Profit for the year		128,036	3,819	128,036	3,819
Basic earnings per share (R$)	23	0,5758	0,0241	0,5758	0,0241
Weighted average number of shares – in thousands	23	222,363	158,477	222,363	158.477
Diluted earnings per share (R$)	23	0,5662	0,0241	0,5662	0,0241
Weighted average number of shares - in thousands	23	226,144	161,308	226,144	161.308

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of comprehensive income
Years ended December 31, 2018 and 2017
(Values expressed in thousands of Reais)

	Parent company and Consolidated	
	2018	**2017**
Profit for the year	**128,036**	3,819
Other comprehensive loss (Note 31)	**(2)**	-
Total comprehensive income, net of taxes	**128,034**	3,819

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of changes in equity
Years ended December 31, 2018 and 2017
(Values expressed in thousands of Reais)

				Capital reserve						
Description	**Notes**	**Issued capital**	**Unpaid capital**	**Capital reserve (share premium increase)**	**Share issue costs**	**Stock option plan**	**Earnings reserve**	**Other comprehensive income**	**Retained earnings (accumulated losses)**	**Total equity**
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	22	-	-	-	(48,578)	-	-	-	-	(48,578)
Stock options plan	34	-	-	-	-	5,518	-	-	-	5,518
Profit for the year	22	-	-	-	-	-	-	-	3,819	3,819
As of December 31, 2017		895,836	-	980,823	(70,923)	5,822	-	-	(194,364)	1,617,194
Absorption of loss with legal reserve	22	-	-	(194,364)	-	-	-	-	194,364	-
Share issue cost	22	-	-	-	(4,742)	-	-	-	-	(4,742)
Stock options plan	34	-	-	-	-	4,486	-	-	-	4,486
Capital contribution 8/28/2018	22	2,397	-	-	-	-	-	-	-	2,397
Profit for the year		-	-	-	-	-	-	-	128,036	128,036
Legal reserve	22	-	-	-	-	-	6,401	-	(6,401)	-
Dividends and interest on capital	22	-	-	-	-	-	-	-	(30,409)	(30,409)
Retained earnings to be allocated to the meeting	22	-	-	-	-	-	91,226	-	(91,226)	-
Derivative financial instruments	31	-	-	-	-	-	-	(2)	-	(2)
As of December 31, 2018		898,233	-	786,459	(75,665)	10,308	97,627	(2)	-	1,716,960

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of cash flows
Years ended December 31, 2018 and 2017
(Values expressed in thousands of Reais)

	Parent company		Consolidated	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit before income tax and social contribution	**131,702**	9,044	**137,717**	9,044
Depreciation and amortization of property and equipment and intangible assets (Notes 12, 13, 26 and 27)	**125,480**	118,753	**133,144**	119,697
Provision for bonuses	**27,014**	24,891	**27,014**	24,891
Equity pickup (Note 11)	**(15,492)**	1,972	**-**	-
Interest, charges, exchange and monetary differences	**(7,585)**	67,414	**(7,585)**	67,414
Provision (reversion) for legal claims (Note 20)	**9,820**	5,268	**11,286**	5,268
Disposal of property and equipment and intangible assets and stores sold (Notes 12, 13 and 27)	**10,512**	26,980	**11,503**	27,025
Adjustment to the contingent consideration payable balance (Note 28)	**-**	9,527	**-**	9,527
Stock options cost (Notes 27 and 34)	**4,486**	5,518	**4,486**	5,518
Provision for Impairment (Notes 12 and 27)	**4,205**	(4,627)	**4,205**	(4,627)
	290,141	264,740	**321,769**	263,757
Changes in assets and liabilities				
Trade receivables, net	**1,430**	(27,373)	**8,534**	(27,300)
Inventories	**(41,533)**	(8,897)	**(39,360)**	(8,897)
Taxes recoverable	**(11,367)**	(2,209)	**(12,039)**	(2,015)
Advances paid	**(1.856)**	(16,050)	**(1.520)**	(16,050)
Derivative financial instruments derivatives	**35**	(483)	**35**	(483)
Related parties assets	**(1,591)**	-	**-**	-
Other receivables	**(15,831)**	(17,559)	**(15,638)**	(17,591)
Trade and rental payables	**100,517**	58,580	**96,623**	58,591
Payroll and social charges	**(2,224)**	(11,089)	**(10,081)**	(11,089)
Corporate payables	**3,984**	(6,632)	**3,052**	(6,632)
Taxes payable	**(423)**	6,078	**(10,053)**	1,776
Deferred revenue, net	**35,487**	(9,000)	**35,487**	(9,000)
Related parties liabilities	**5,590**	(461)	**-**	-
Legal claims (Note 20)	**(6,502)**	(2,979)	**(7,342)**	(2,979)
Other payables	**(6,892)**	12,927	**(9,064)**	12,640
Income tax and social contribution paid	**(19,983)**	-	**(24,923)**	-
Payment of interest on loans and financings	**(28,834)**	(68,201)	**(30,809)**	(68,201)
Net cash from operating activities	**300,148**	171,392	**304,671**	166,527
Cash flows from investing activities				
Consideration paid in acquisition of investments, net of cash acquired (Note 4)	**(389,707)**	-	**(360,884)**	-
Advance for future capital increase in subsidiaries (Note 11)	**(18,572)**	(2,438)	**-**	-
Purchases of property and equipment (Note 12)	**(312,811)**	(172,237)	**(321,443)**	(172,237)
Purchases of intangible assets (Note 13)	**(16,844)**	(24,751)	**(17,512)**	(25,634)
Cash from merger / acquisition	**-**	55	**-**	-
Investment in marketable securities	**(709,526)**	(1,304,907)	**(722,872)**	(1,304,907)
Redemption of marketable securities	**1,428,723**	294,383	**1,428,723**	294,383
Net cash provided by (used in) investing activities	**(18,737)**	(1,209,895)	**6,012**	(1,208,395)
Cash flows from financing activities				
Capital contributed in the year	**2,397**	890,078	**2,397**	890,078
Share premium increase collected		178,753		178,753
Costs of shares' issuance	**(4,742)**	(48,578)	**(4,742)**	(48,578)
Payment of contingent consideration and payables of acquisition of subsidiaries	**-**	(11,616)	**-**	(11,616)
Payment of loans and financings (principal)	**(214,339)**	(121,344)	**(235,720)**	(121,344)
Net cash provided by (used in) financing activities	**(216,684)**	887,293	**(238,065)**	887,293
Net increase (decrease) in cash and cash equivalents	**64,727**	(151,210)	**72,618**	(154,575)
Cash and cash equivalents:				
Cash and cash equivalents at the end of the year (Note 5)	**166,962**	102,235	**174,963**	102,345
Cash and cash equivalents at the beginning of the year (Note 5)	**102,235**	253,445	**102,345**	256,920
Net increase (decrease) in cash and cash equivalents	**64,727**	(151,210)	**72,618**	(154,575)

See accompanying notes.

BK Brasil Operação e Assessoria a Restaurantes S.A.

Statements of value added
Years ended December 31, 2018 and 2017
(Values expressed in thousands of Reais)

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Revenues	**2,421,388**	1,966,260	**2,597,856**	1,966,260
Gross sales of goods and services (Note 24)	**2,380,497**	1,932,761	**2,556,121**	1,932,761
Discounts and cancelations	**(48)**	(107)	**(48)**	(107)
Other revenues	**40,939**	33,606	**41,783**	33,606
Inputs purchased from third parties	**(1,383,347)**	(1,121,671)	**(1,486,859)**	(1,121,822)
Cost of sales and services	**(832,031)**	(687,871)	**(891,292)**	(687,871)
Materials, electric power, outside services and other expenses	**(536,927)**	(411,348)	**(579,636)**	(411,499)
Impairment of assets (Note 27)	**(14,717)**	(22,353)	**(15,708)**	(22,398)
Other costs	**328**	(99)	**(223)**	(54)
Gross value added	**1,038,041**	844,589	**1,110,997**	844,438
Retentions	**(125,480)**	(118,753)	**(133,144)**	(119,697)
Depreciation and amortization (Notes 12, 13, 26 and 27)	**(125,480)**	(118,753)	**(133,144)**	(119,697)
Wealth created by the Company	**912,561**	725,836	**977,853**	724,741
Wealth received in transfer	**68,998**	27,327	**58,050**	29,685
Equity pickup (Note 11)	**15,492**	(1,972)	**-**	-
Financial income (Note 29)	**53,506**	29,299	**58,050**	29,685
Total wealth for distribution	**981,559**	753,163	**1,035,903**	754,426
Wealth distributed	**981,559**	753,163	**1,035,903**	754,426
Personnel expenses	**380,339**	314,267	**406,030**	314,267
Salaries and wages and benefits	**365,128**	295,591	**389,495**	295,591
FGTS (Severance Pay Fund)	**15,211**	18,676	**16,535**	18,676
Taxes, fees and contributions	**279,483**	221,185	**299,161**	221,187
Federal	**214,690**	162,655	**225,458**	162,657
State	**55,686**	51,750	**64,596**	51,750
Municipal	**9,107**	6,780	**9,107**	6,780
Lenders and lessors	**193,701**	213,892	**202,676**	215,153
Financial expenses (Note 28)	**41,536**	82,964	**43,948**	84,225
Rentals	**152,165**	130,928	**158,728**	130,928
Shareholders	**128,036**	3,819	**128,036**	3,819
Dividends and interest on capital	**30.409**	-	**30.409**	-
Retained earnings	**97.627**	3,819	**97.627**	3,819

See accompanying notes.

1. Operations

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

a) Burger King Operations

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, at the company´s discretion (Note 21).

The Company obtained from Burger King Corporation, minority shareholder, owner of the Burger King brand, a franchise for 20 years begnning from each store’s opening date. In the opening of each store, the following are paid by the Company to Burger King Corporation:

Franchise fee:

- *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.

(Values expressed in thousands of Reais)

1. Operations -- Continued

a) Burger King Operations—Continued

As of December 31, 2018 and 2017, the Company had 631 and 526 company-owned stores, respectively, of which are located as follows:

	2018	2017
State of Alagoas	**4**	4
State of Bahia	**11**	12
State of Ceará	**15**	12
Federal District	**16**	15
State of Espírito Santo	**12**	10
State of Goiás	**20**	7
State of Maranhão	**5**	5
State of Mato Grosso	**5**	-
State of Mato Grosso do Sul	**1**	-
State of Minas Gerais	**49**	23
State of Pará	**6**	6
State of Paraíba	**5**	4
State of Pernambuco	**14**	11
State of Piauí	**2**	2
State of Paraná	**36**	16
State of Rio de Janeiro	**89**	82
State of Rio Grande do Norte	**3**	3
State of Rio Grande do Sul	**36**	32
State of Sergipe	**5**	4
State of São Paulo	**297**	278
Total Stores	**631**	526

Business combination

During 2018, the Company completed the acquisition of control of the following group of legal entities (called "Centro Sul") 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
King Food Comércio de Alimentos S.A.	4/2/2018	100%
Good Food Comércio de Alimentos S.A.	4/2/2018	100%
Good Food Comércio de Alimentos S.A.	4/2/2018	100%

In this transaction, 51 restaurants and 20 dessert kiosks were acquired (Note 4).

b) Popeyes Operation

In line with its expansion plan, on March 20, 2018 the Company and Popeyes Louisiana Kitchen, Inc. announced Master Franchise agreements.

By signing these agreements, BKB acquired the exclusive right of developing and operating restaurants in Brazil through its own operation or franchisees under the POPEYES® brand for a twenty-year period.

1. Operations -- Continued

b) Popeyes Operation -- Continued

The agreements establish annual targets aimed at a gradual acceleration of growth of company-owned restaurants and/or franchisees, among them the opening of more then 300 restaurants in an initial period of ten years.

The agreements also stipulate that the Company shall be the exclusive service provider under the POPEYES® brand in Brazil, providing marketing, training, monitoring, procurement, audit and other services to the same franchised restaurants in Brazil, and may charge service fee from its franchisees for this purpose.

In addition, royalties and contribution to the marketing fund were established at levels similar to those applicable to the BURGER KING® brand in Brazil.

As at December 31, 2018, the Company had opened eight (8) stores in the state of São Paulo.

In the year ended December 31, 2018, the total expenses capitalized at the Company related to implement the POPEYES® brand in Brazil were R$9,364.

2. Accounting policies

The Company's financial statements were approved by the Board of Directors on Febuary 27, 2019.

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, 2018 and applicable to the comparative information as of December 31, 2017. 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 Comissão de Valores Mobiliários ("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, 2018.

2. Accounting policies--Continued

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.

CPC 22 - *Operating Segments* (IFRS 8) 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.

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. Accounting policies--Continued

2.2. Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Company acquires a business, it determines the fair value of the assets acquired and liabilities assumed in order to allocate them according to the contractual terms, economic circumstances and applicable conditions on the acquisition date, which includes the segregation, by the acquiree, of embedded derivatives existing in host contracts in the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognized in the statement of income.

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 CPC 48 - *Financial Instruments* (IFRS 9) is measured at fair value, with changes in fair value recognized either in the statement of income 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 identifiable assets acquired. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized as a gain in the statement of income.

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.

2. Accounting policies--Continued

2.2. Business combination--Continued

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.

2.3. Functional and presentation currency

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

2.4. Transactions in foreign currencies

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

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:

<u>Sale of products</u>

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.

2. Accounting policies--Continued

2.5. Revenue recognition--Continued

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.

Franchise fee fee for sub-franchisees

The adoption of CPC 47 - Revenue from Contracts with Customers (IFRS 15) in fiscal year 2018 did not significantly alter the accounting policies and practices adopted and used in the year ended December 31, 2017. The impact of this statement was the recognition of revenues in relation to the franchise fee, which were previously recognized in full at the time of signing the franchise agreement, and from the adoption of the pronouncement are now recognized according to the stipulated period of stay of the brand next to the franchisee - 20 years. In the year ended December 31, 2018, the amount of franchise fee income in the Company's result due to the adoption of the new standard was R$1,727, and this liability was recorded in liabilities.

Investment income

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

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 taxes are provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

2. Accounting policies--Continued

2.6. Taxes--Continued

Deferred taxes--Continued

(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).

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, 2018 and 2017 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;

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

(iii) When the net amount of the sales taxes, recoverable or payable, is included as a component of the amounts receivable or payable in the balance sheet.

2.7. Financial instruments - Initial recognition

The Company adopted the IFRS 9 *Financial Instruments* in replacement of IAS 39 Financial Instruments: Recognition and measurement as of January 1, 2018, in accordance with CVM resolution 763/16. The changes made to the Company´s accounting policies are described below, as well as their impacts at on the financial information:

Financial Assets Classification

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

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

2. Accounting policies--Continued

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

Hedge Accounting

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

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

Impairment of Financial Assets

The IFRS 9 replaces the "losses incurred" model IAS 39 with a prospective "expected credit loss" model. These new model applies to financial assets measured at amortized costs or FVOCI, with the exception of investments in equity instruments and contractual assets.

For cash investments, cash and cash equivalents, the Company did not have significant effect in credit losses, given the high ratings of its counterparts.

For the accounts receivable, the Company considers the impact of estimated future credit losses due to its commercial activity and card operators with whom it has a relationship to be immaterial.

Transition

The changes in accounting policies resulting from the adoption of IFRS 9 were applied retrospectively, except for the situations described below:

a) The Company adopted the exemption that allows it not to restate the comparative information from prior periods arising from changes in the classification and measurement of financial instruments (including expected losses). Thus, the information presented for 2017 does not reflect the requirements of IFRS 9, but the requirements of IAS 39.

b) The new requirements of hedge accounting were applied prospectively.

The other explanations related to the objectives and policies for financial risk management adopted by the Company are described in note 31 of this quarter information.

2. Accounting policies--Continued

2.8. Derivative financial instruments

As of December 31, 2018 and 2017, the Company used derivative financial instruments, such as interest rate swaps and Non-Deliverable Forward (NDF), to hedge against the risk of fluctuations in exchange rates.

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

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

2.9. Investments (Company)

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 income 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 income 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.

Use of the brand Popeyes (Franchise fee)

Brands comprise the rights to use the brands paid to Popeyes Louisiana Kitchen, Inc. 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

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 may exist (see details on the annual analysis in Note 13).

Intangible assets

The amortization period and method for an intangible asset with a finite useful life is 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 income 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, 2018 and 2017, 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 income 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, 2018 and 2017.

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 income in line item "Other Operating Income (Expenses)" over the period of the agreement with the supplier.

2.17. Agreement with suppliers (Confirming)

The Company has financial liabilities with suppliers, through financial institutions, whose maturities were extended, or suppliers received in advance during the years ended December 31, 2018. Due to the characteristic of commercial negotiation of terms between suppliers and the Company, these financial liabilities were included in the amount advance programs using the Company's credit lines with institutions (Note 15).

2.18. 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 income net of any reimbursement.

2. Accounting policies--Continued

2.18. 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.

2.19. 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.

2.20. Earnings per share

The Company calculates earnings 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 CPC 41 - *Earnings per Share* (IAS 33).

The comparative figures of basic and diluted earnings 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 per share is computed similarly to basic earnings 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.

2. Accounting policies--Continued

2.21. 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

2.21. Significant accounting estimates and assumptions--Continued

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.

2.22. 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 or the present value of the minimum lease payments. After initial recognition, the asset is recorded according to the accounting policy applicable to the asset. The Company does not have finance lease agreements.

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 income under the straight-line method over the lease term. Assets under operating leases are not recognized in the Company's balance sheet.

2. Accounting policies--Continued

2.23. 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 2018, the targets were achieved by the Company and the employees, therefore the profit sharing program was accrued for 2018 and will be paid the following year. The amount related to the provision for the profit sharing program is recorded under the caption "Payroll and social charges" at Balance Sheet.

2.24. Distribution of dividends and interest on capital

Pursuant to the Bylaws, shareholders are entitled to minimum mandatory dividends corresponding to 25% of the Company’s annual profit, after the setting up of the legal reserve of 25% of the profit for the year, until such reserve reaches 20% of the capital, as set forth in article 202 of the Brazilian Corporation Law.

In accordance with the Brazilian legislation, Law 9,249/1995, companies may elect to distribute interest on capital, calculated based on the long-term interest rate (“TJLP”), which is deductible for income tax purposes, pursuant to the relevant legislation, and when distributed, may be considered as part of the minimum mandatory dividends.

The distribution of dividends and interest on capital to the Company’s shareholders is recognized as a liability in the financial statements at the end of the reporting period, based on the Company’s Bylaws (Note 22). Any amount above the minimum mandatory dividend is only accrued on the date in which it is approved by the shareholders at the Board of Directors’ Meeting.

The tax benefit of interest on capital is recognized in the statement of income (Note 30).

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

3.1 CPC 06 (R2) / IFRS 16 – Leases

In January 2016, IFRS 16 – *Leases* was issed and in December 2017 CPC 06 (R2) – Lease Transactions was issued, effective for annual accounting periods beginning on or after January 1, 2019. The Company will adopt CPC 06 (R2) / IFRS 16 – Leases as from January 1, 2019 since early adoption is not permitted in Brazil.

The Company assessed the potential impacts that the initial application of CPC 06 (R2) / IFRS 16 will have on the individual and consolidated financial statements. he actual impacts of adopting the standard as of January 1, 2019 may change because the new accounting policies are subject to change until the financial statements are presented that include the date of initial application .

FRS 16/CPC 06 (R2) introduces a single model to account for leases in the balance sheet fof lessee. The lessee recognizes a right-of-use asset that represents its right to use the leased asset and a lease liability that represents its obligation to make lease payments. Exemptions are available for short-term leases and leases of low-value assets. Lessor accounting remains similar to the current standard, that is, lessors continue to classify leases into finance lease or operating lease.

IFRS 16/CPC 06 (R2) replaces the existing lease standards, including CPC 06/IAS 17 Lease Transactions and ICPC 03/IFRIC 4, SIC 15 and SIC 27 Complementary Aspects of Lease Transactions.

i. Leases in which the Company acts as lessee

The Company will recognize new assets (“right of use asset”) for its lease agreements related to lease of administrative and operational properties (stores), among others. The nature of the expenses related to these lease agreements will change since the Company will record the amortization cost related to the right-of-use asset, and an interest expense related to the financing component lease obligations. Accordingly, the EBITDA and the operating profit will be affected.

Until December 31, 2018, the Company recognized a linear expense with the operating lease agreements over the agreement term.

(Values expressed in thousands of Reais)

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

3.1 CPC 06 (R2) / IFRS 16 – Leases--Continued

ii. Transition

The Company intends to apply CPC 06 (R2) / IFRS 16, using the modified retrospective approach.

On transition, lease liabilities will be measured at the present value of the remaining payments, discounted at the incremental borrowing rate of the lessee.

The lease agreements have an average term of ten years and the Company will use late payment, as in determining the term of the lease, if the agreement contains options to extend or terminate, among others. The Company's policy is to make the late payment at least one year before the lease expires. The payment flows were estimated gross of PIS and COFINS and rights of use assets will be measured at the amount equal to the lease liability at present value.

The Company plans to apply the practical file regarding the definition of a lease agreement in the transition. This means that it will apply CPC 06 (R2) / IFRS 16 to all contracts entered into prior to January 1, 2019 that were identified as leases in accordance with CPC 06 (R1) / IAS 17 and ICPC 03 / IFRIC 4.

The incremental credit rate (discount) used to measure the present value of the data was not calculated on the projected CDI + spread - projected inflation of contractual index.

Based on the preliminary information, the Company estimated the potential impacts on the balance sheet. In January 1, 2019 are presented in the table below:

Accounts affected	**Value**
Non-Current Assets	
Right-of-use assets	720,377
Current Liabilities	
Lease liabilities	142,162
APV	(41,250)
Non-Current Liabilities	
Lease liabilities	756,247
APV	(136,782)

4. Business combination

Acquisition of Franchisees King Food Comércio de Alimentos S.A., Good Food Comércio de Alimentos S.A. and Fast Burger Comércio de Alimentos S.A.

On October 17, 2017, the Company entered into a Share Purchase and Sale Agreement for the acquisition King Food Comércio de Alimentos S.A., Good Food Comércio de Alimentos S.A. and Fast Burger Comércio de Alimentos S.A., which in the aggregate have 51 restaurants and 20 desert kiosks of the BURGER KING® brand (Note 1) and consist of one group at Company.

The aggregate transaction price was R$404 million (Note 11), contingent to the compliance with various suspensive conditions, among them the approval of the transaction by the Brazilian Antitrust Agency (“CADE”) which occurred on 01/31/2018 in a satisfactory manner for BKB published in the Federal Official Gazette (“DOU”), the conducting of the initial public offering of Company shares occurred on December 18, 2017, and the satisfactory conclusion of the legal, accounting, financial and operational due diligence of the companies.

On April 2, 2018, the Company announced the conclusion of the acquisition of control and of the total shares issued by these legal entities under common control.

The composition of the consideration, preliminary allocation of the acquisition price, identification of the market value of the calculated net assets and allocation of the goodwill are shown below:

(Values expressed in thousands of Reais)

4. Business combination--Continued

	King Food	Good Food	Fast Burger (i)	Total
Consideration paid at closing	95.174	155.672	138.861	**389.707**
Payable (Note 19)	3.710	4.887	5.583	**14.181**
Total consideration	**98.884**	**160.559**	**144.444**	**403.887**

	Valor contábil				Ajuste a *Fair Value* (PPA) (Note 13)				Valor justo			
	King Food	Good Food	Fast Burger	Total	King Food	Good Food	Fast Burger	Total	King Food	Good Food	Fast Burger	Total
Current assets, net of cash acquired	6.821	22.877	14.572	**44.269**	-	-	-	**-**	6.821	22.877	14.572	**44.269**
Other non-current assets	2.401	1.604	3.607	**7.612**	-	-	-	**-**	2.401	1.604	3.607	**7.612**
Property, plant and equipment (Nota 12)	13.564	10.847	14.052	**38.463**	-	-	-	**-**	13.564	10.847	14.052	**38.463**
Intangible assets (Nota 13)												
Goodwill	-	-	-	**-**	89.186	138.658	145.014	**372.858**	89.186	138.658	145.014	**372.858**
Franchise fee brand	522	598	1.509	**2.629**	1.226	1.265	802	**3.293**	1.748	1.864	2.311	**5.922**
Right of use of property	434	346	1.072	**1.852**	3.927	5.905	7.242	**17.073**	4.361	6.251	8.314	**18.926**
Software	221	205	89	**515**	-	-	-	**-**	221	205	89	**515**
	23.963	**36.477**	**34.901**	**95.341**	**94.339**	**145.828**	**153.058**	**393.226**	**118.302**	**182.305**	**187.959**	**488.567**
Current liabilities	13.088	13.372	28.295	**54.755**	-	-	-	**-**	13.088	13.372	28.295	**54.755**
Non-current liabilities (ii)	6.330	8.374	15.220	**29.923**	-	-	-	**-**	6.330	8.374	15.220	**29.923**
Net assets acquired at fair value	**4.545**	**14.731**	**(8.614)**	**10.662**	**94.339**	**145.828**	**153.058**	**393.226**	**98.884**	**160.559**	**144.444**	**403.887**

(i) The consideration amount may change since one of the acquired stores of this subsidiary did not have 12 operating months at the acquisition date, so after the closing of 2018, the calculation of the store was reperformed. The Company is aware that the amount of its consideration may change and does not expect a significant amount.

(ii) 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.

5. Cash and cash equivalents

	Parent company		Consolidated	
	2018	2017	2018	2017
Cash	**28,663**	19,580	**28,663**	19,580
Banks	**1,487**	424	**1,567**	424
Financial investments	**136,812**	82,231	**144,733**	82,341
Total cash and cash equivalents	**166,962**	102,235	**174,963**	102,345

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**	**2018**	**2017**	**2018**	**2017**
CDB	95% to 101.4% of CDI	**34,092**	55,182	**34,117**	55,292
Financial bills (LF)	102.5% to 103% of CDI	**-**	26,006	**-**	26,006
Invest plus	2% to 60% of CDI	**102,720**	1,043	**110,616**	1,043
Total financial investments		**136,812**	82,231	**144,733**	82,341

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

Type of investment	Annual yield	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Exclusive investment fund - XPA BK (i)	91.8% of CDI to 126% of CDI	**227,492**	518,248	**-**	-
Federal Treasury Bills (LFT)	100% of CDI to 126% of CDI	**-**	-	**113,352**	498,124
Investment funds	IPCA	**-**	18,336	**15,299**	38,460
Lease bills (LAM)	100% to 102% of CDI	**58,955**	332,607	**58,955**	332,607
CDB	100% to 109% of CDI	**113,502**	204,708	**133,010**	204,708
Investments in debentures	105% of CDI to 121% of CDI	**-**	-	**34,152**	-
Financial bills (LF)	104% to 117% of CDI	**-**	-	**58,527**	-
Investment fund and CDB (ii)	85% to 99% of CDI	**2,327**	3,902	**2,327**	3,902
Repurchase agreements (iii)	100% of CDI	**12,361**	11,868	**12,361**	11,868
Total marketable securities		**414,637**	1,089,669	**427,983**	1,089,669

	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Current	**402,276**	1,076,384	**415,622**	1,076,384
Marketable securities	**399,790**	1,073,900	**413,136**	1,073,900
Restricted marketable securities	**2,486**	2,484	**2,486**	2,484
Non-current	**12,361**	13,285	**12,361**	13,285

(i) XPA BK FUNDO DE INVESTIMENTO MULTIMERCADO INVESTIMENTO NO EXTERIOR – Exclusive investment fund, 100% held by the Company, created on 12/29/2017. The portfolio of this fund, by type of investment, is shown in the consolidated balances, and is comprised of financial treasury bills and investment funds.

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

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

7. Trade receivables, net

	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Sales transactions	**49,506**	52,679	**49,581**	52,679
Service rendered with franchisees	**3,032**	7,457	**3,032**	7,457
Services rendered with related parties (Note 21)	**655**	639	**655**	639
Other receivables	**6,335**	183	**6,335**	183
Total trade receivables	**59,528**	60,958	**59,603**	60,958

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	
	2018	**2017**
Stock of supplies - stores	**46,179**	28,116
Stock of supplies - distribution center - BKB	**26,006**	7,348
Gifts - stores	**9,091**	4,279
Total inventories	**81,276**	39,743

9. Taxes recoverable

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
IRPJ (Income Tax)	**2,368**	2,582	**3,468**	2,582
CSLL (Social Contribution on Profit)	**1,116**	1,053	**1,493**	1,053
PIS and COFINS (indirect taxes) on property and equipment	**69**	71	**69**	71
IRRF (Withholding Income Tax)	**1,976**	5,414	**1,976**	5,414
ICMS (State VAT)	**9,676**	3,681	**10,037**	3,722
Non-cumulative PIS	**5,007**	4,591	**5,528**	4,591
Non-cumulative COFINS	**22,809**	19,532	**25,297**	19,532
INSS (Social Security Contribution)	**7,787**	2,505	**7,787**	3,921
Other	**289**	301	**289**	1,389
Total taxes recoverable	**51,097**	39,730	**55,944**	42,275
Current	**35,546**	22,448	**40,393**	24,993
Non-current (i)	**15,551**	17,282	**15,551**	17,282

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

10. Advances paid

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Advances to suppliers of services and materials	**12,755**	17,961	**12,759**	17,961
Expenses to be reimbursed - Marketing Fund	**13,863**	6,801	**13,863**	6,801
Total prepaid expenses	**26,618**	24,762	**26,622**	24,762

11. Investments

The movements in investments as of December 31, 2018 and 2017 were as follows:

	Parent company	
	2018	**2017**
Opening balance	**17,965**	56,887
Net assets acquired (Note 4)	**403,887**	-
Advance for future capital increase - in cash	**18,572**	2,438
Advance for future capital increase - PERT (i)	**6,737**	2,963
Merger of subsidiaries	**-**	(42,351)
Equity pickup	**15,492**	(1,972)
Closing balance	**462,653**	17,965

(i) In 2018 and in 2017, the subsidiaries enrolled in the tax debt refinancing program (PERT), In 2018, 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, 2018 and 2017 are as follows:

	12/31/2018					
	BGMAXX BA	**BGMAXX AL**	**KING FOOD**	**FAST BURGER**	**GOOD FOOD**	**Total**
Assets						
Current	**1,662**	**29**	**5,041**	**9,422**	**17,595**	**33.749**
Non-current	**3,158**	**98**	**16,518**	**21,606**	**13,497**	**54.877**
Total assets	**4,820**	**127**	**21,559**	**31,028**	**31,092**	**88,626**
Liabilities						
Current	**2,702**	**1,524**	**907**	**5,228**	**1,532**	**11,893**
Non-current	**-**	**257**	**6,475**	**10,319**	**11,807**	**28,858**
Total liabilities	**2,702**	**1,781**	**7,382**	**15,547**	**13,339**	**40,751**
Equity	**2,118**	**(1,654)**	**14,177**	**15,481**	**17,753**	**47,875**
Total liabilities and equity	**4,820**	**127**	**21,559**	**31,028**	**31,092**	**88,626**
% interest in subsidiary	**100%**	**100%**	**100%**	**100%**	**100%**	
Net operating revenue (i)	**-**	**-**	**41,216**	**71,591**	**54,922**	**167,729**
Equity pickup	**34**	**292**	**4,103**	**9,171**	**1,892**	**15,492**

(i) The subsidiaries’ operating revenues are being partially recognized at the Parent Company.

11. Investments--Continued

	12/31/2017			
	BGMAXX BA	**BGMAXX AL**	**Realty (i)**	**Total**
Assets				
Current	3,990	197	-	4,187
Non-current	5,088	112	-	5,200
Total assets	9,078	309	-	9,387
Liabilities				
Current	5,974	1,778	-	7,752
Non-current	4,463	622	-	5,085
Total liabilities	10,437	2,400	-	12,837
Equity	(1,359)	(2,091)	-	(3,450)
Total liabilities and equity	9,078	309	-	9,387
% interest in subsidiary	100%	100%	-	-
Net operating revenue (ii)	-	-	-	-
Equity pickup	(1,786)	(72)	(114)	(1,972)

(i)Realty was merged during 2017.
(ii) The subsidiaries' operating revenues are being recognized at the Parent Company.

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).

12. Property and equipment, net

		Parent company		Consolidated	
	Annual Range depreciation rate	**2018**	**2017**	**2018**	**2017**
Facilities, improvement and projects	(i)	**405,632**	371,036	**427,375**	372,473
Machinery and equipment	5% to 25%	**156,394**	123,794	**170,758**	125,323
Furniture and fixtures	6% to 20%	**38,776**	32,459	**43,457**	33,395
Computers and hardware	2% to 5%	**41,438**	42,519	**43,897**	42,493
Other assets	-	**250,129**	129,167	**250,271**	129,286
(-) Provision for impairment	-	**(7,533)**	(3,328)	**(7,533)**	(3,328)
Total property and equipment		**884,836**	695,647	**928,225**	699,642

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

In 2018, no financial charges were capitalized.

12. Property and equipment, net--Continued

The movements in property and equipment in the years ended December 31, 2018 and 2017 were as follows:

	Parent company						
	Facilities, improvement and projects	Machinery and equipment	Furniture and fixtures	Computers and hardware	Other assets (iii)	(-) Provision for impairment	Total
Cost							
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	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
Additions (ii)	**41,098**	**-**	**-**	**5**	**271,708**	**-**	**312,811**
Transfers	**61,528**	**55,887**	**13,112**	**16,028**	**(146,555)**	**-**	**-**
Write-offs	**(5,490)**	**(1,557)**	**(1,390)**	**(2,822)**	**(3,162)**	**-**	**(14,421)**
Sale of stores (i)	**(3,951)**	**(1,474)**	**(328)**	**(703)**	**(1,029)**	**-**	**(7,485)**
Impairment (Note 27)	**-**	**-**	**-**	**-**	**-**	**(4,205)**	**(4,205)**
Balance in 2018	**663,825**	**236,621**	**62,168**	**103,167**	**250,129**	**(7,533)**	**1,308,377**
Depreciation							
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)
Additions	**(64,951)**	**(22,061)**	**(6,001)**	**(16,716)**	**-**	**-**	**(109,729)**
Write-offs	**4,320**	**1,140**	**762**	**2,555**	**-**	**-**	**8,777**
Sale of stores (i)	**2,042**	**665**	**162**	**572**	**-**	**-**	**3,441**
Balance in 2018	**(258,193)**	**(80,227)**	**(23,392)**	**(61,729)**	**-**	**-**	**(423,541)**
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
Total property and equipment in 2018	**405,632**	**156,394**	**38,776**	**41,438**	**250,129**	**(7,533)**	**884,836**

(i) Sale of 7 stores, aligned with Management's strategy to increase profitability and return on invested capital, generating a net capital gain of R$4,120 in the year ended December 31, 2018 (R$1,042 in 2017) (Note 27, items "Revenue from stores sold" and "Write-down of assets from stores sold").

(ii) Expenses related to the implementation and development of the POPEYES® brand of R$9,364 (Note 1) were capitalized in the projects heading.

(iii) Stores built and / or remodeled substantially in the last quarter of the year that will be reallocated to the fixed assets groups according to the Company's policy R$147,901 (R $ 85,913 in 2017), works referring to stores under construction R$14,344 (R $ 7,345 in 2017), new equipment in stock R$46,824 (R $ 26,256 in 2017), maintenance equipment R $ 1,585 (R$1,019 in 2017), and other assets in progress R$39,475 (R$8,634 in 2017).

12. Property and equipment, net--Continued

	Consolidated						
	Facilities, improvement and projects	Machinery and equipment	Furniture and fixtures	Computers and hardware	Other assets (iii)	(-) Provision for impairment	Total
Cost							
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
Additions (ii)	**43,019**	**1,415**	**121**	**268**	**276,620**	**-**	**321,443**
Acquisition (Note 4)	**19,525**	**12,736**	**4,413**	**1,738**	**50**	**-**	**38,462**
Transfers	**63,625**	**57,182**	**13,417**	**17,243**	**(151,467)**	**-**	**-**
Write-offs	**(5,511)**	**(1,793)**	**(1,802)**	**(2,983)**	**(3,162)**	**-**	**(15,251)**
Sale of stores (i)	**(4,092)**	**(1,666)**	**(345)**	**(703)**	**(1,029)**	**-**	**(7,835)**
Impairment (Note 27)	**-**	**-**	**-**	**-**	**-**	**(4,205)**	**(4,205)**
Balance in 2018	**693,531**	**258,420**	**71,633**	**107,209**	**250,298**	**(7,533)**	**1,373,558**
Depreciation							
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)
Additions	**(68,026)**	**(24,244)**	**(6,690)**	**(17,447)**	**(27)**	**-**	**(116,434)**
Write-offs	**4,320**	**1,140**	**786**	**2,716**	**-**	**-**	**8,962**
Sale of stores (i)	**2,042**	**665**	**162**	**572**	**-**	**-**	**3,441**
Balance in 2018	**(266,156)**	**(87,662)**	**(28,176)**	**(63,312)**	**(27)**	**-**	**(445,333)**
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
Total property and equipment in 2018	**427,375**	**170,758**	**43,457**	**43,897**	**250,271**	**(7,533)**	**928,225**

(i) Sale of 7 stores, aligned with Management's strategy to increase profitability and return on invested capital, generating a net capital gain of R$4,120 in the year ended December 31, 2018 (R$1,042 in 2017) (Note 27, items "Revenue from stores sold" and "Write-down of assets from stores sold").

(i) Expenses related to the implementation and development of the POPEYES® brand of R$9,364 (Note 1) were capitalized in the projects heading.

(ii) Stores built and / or remodeled that will be reallocated to the fixed assets groups according to the Company's policy R$147,901 (R$85,913 in 2017), works referring to stores under construction R$14,344 (R$7,345 in 2017), new equipment in stock R$46,824 (R$26,256 in 2017), maintenance equipment R$1,585 (R$1,019 in 2017), and other current assets R $ 39,617 (R$8,753 in 2017).

12. Property and equipment, net--Continued

Impairment test

The Company considers each restaurant as it smallest cash generating unit (CGU), and tested them for impairment taking into consideration the maturity period (beginning in 24 months, considering 453 restaurants of a total of 631 in 2018 and 406 of a total of 526 in 2017) and their future cash flows discounted to present value, at the rate of 11.07% (WACC), limited to the contractual period of that store.

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, projects and assignment of right, In 2018, the provision balance was R$7,533 (R$3,328 in 2017).

In the year ended December 31, 2018, a provision was set up for the impairment of 12 stores accrued in prior years, of which 05 stores were closed. In addition, the provision for impairment of 1 store previously accrued was maintained and a provision for impairment of additional 11 stores was set up. The result of the movement in the provision and reversals for impairment was R$4,205 in 2018 (write-off of provision of R$4,627 in 2017) (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	**2018**	**2017**	**2018**	**2017**
Commercial rights	(i)	**46,423**	49,977	**68,204**	53,250
Franchise fee	5%	**55,657**	49,770	**63,414**	51,924
Software licenses	20%	**6,795**	8,859	**7,757**	8,857
Goodwill	(ii)	**184,917**	184,917	**574,941**	202,083
Total intangible assets		**293,792**	293,523	**714,316**	316,114

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

(ii) Annual analysis of impairment.

13. Intangible assets, net--Continued

The movements in intangible assets in the years ended December 31, 2018 and 2017 were as follows:

	Parent company				
	Commercial rights	Franchise fee (Note 21)	Software licenses	Goodwill	Total
Cost					
Balance in 2016	80,675	51,679	13,555	154,622	300,531
Additions	10,560	8,862	5,329	-	24,751
Mergers	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
Additions	**6,068**	**10,010**	**766**	**-**	**16,844**
Write-offs	**(1,031)**	**(401)**	**(37)**	**-**	**(1,469)**
Sale of stores (i)	**(60)**	**(260)**	**(47)**	**-**	**(367)**
Balance in 2018	**101,757**	**70,161**	**19,132**	**184,917**	**375,967**
Amortization					
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)
Additions	**(9,298)**	**(3,679)**	**(2,774)**	**-**	**(15,751)**
Write-offs	**740**	**164**	**18**	**-**	**922**
Sale of stores (i)	**27**	**53**	**10**	**-**	**90**
Balance in 2018	**(55,334)**	**(14,504)**	**(12,337)**	**-**	**(82,175)**
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
Total intangible assets in 2018	**46,423**	**55,657**	**6,795**	**184,917**	**293,792**

(i) Sale of 7 stores, aligned with Management's strategy to increase profitability and return on invested capital, generating a net capital gain of R$4,120 in the year ended December 31, 2018 (R$1,042 in 2017) (Note 27, items "Revenue from stores sold" and "Write-down of assets from stores sold").

13. Intangible assets, net--Continued

	Consolidated				
	Commercial rights	**Franchise fee (Note 21)**	**Software licenses**	**Goodwill**	**Total**
Cost					
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
Additions	**6,067**	**10,062**	**1,383**	**-**	**17,512**
Acquisition (Note 4)	**18,925**	**5,922**	**515**	**372,858**	**398,220**
Write-offs	**(1,031)**	**(401)**	**(37)**	**-**	**(1,469)**
Sale of stores (i)	**(60)**	**(260)**	**(47)**	**-**	**(367)**
Balance in 2018	**125,848**	**78,337**	**20,437**	**574,941**	**799,563**
Amortization					
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)
Additions	**(9,714)**	**(4,050)**	**(2,946)**	**-**	**(16,710)**
Write-offs	**740**	**164**	**22**	**-**	**926**
Sale of stores (i)	**27**	**53**	**10**	**-**	**90**
Balance in 2018	**(57,644)**	**(14,923)**	**(12,680)**	**-**	**(85,247)**
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
Total intangible assets in 2018	**68,204**	**63,414**	**7,757**	**574,941**	**714,316**

(i) Sale of 7 stores, aligned with Management's strategy to increase profitability and return on invested capital, generating a net capital gain of R$4,120 in the year ended December 31, 2018 (R $ 1,042 in 2017) (Note 27, items "Revenue from stores sold" and "Write-down of assets from stores sold").

Goodwill

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

Impairment test

Intangible assets were tested for impairment and in the years ended December 31, 2018 and 2017, no intangible assets with carrying amounts higher than their recoverable.

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 the economic group to consider perpetuity aspects. The projected growth of sales, costs and economic indicators is expected to be in line with the curve observed in prior years and with the economic growth of the country in which the Company has operations.

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

- The projections were made in reais and discounted at the weighted average cost of capital ("WACC"), considering the sensitivities in this metric. The post-tax discount rate applied to cash flow projections is 11.07% p.a. in 2018 (13.1% p.a. in 2017).

- The nominal growth rate used to extrapolate the cash flows of all the economic group for a period of five years was 5.25% for all years, which reflects a conservative perspective of the Company's growth in relation to future annual inflation. The average growth rates of the sales revenues projected for the five-year period were adjusted considering the future projection of the Extended National Consumer Price Index (IPCA) of 3.75% and the opening of new stores.

14. Loans and financings

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Loans and financings (Note 14.1)	**9,674**	10,599	**9,674**	10,599
Debentures and CRA (Agribusiness Receivables Certificate) (Notes 14.2)	**269,439**	475,108	**269,439**	475,108
Total loans and financings	**279,113**	485,707	**279,113**	485,707
Current	**161,581**	209,987	**161,581**	209,987
Non-current	**117,532**	275,720	**117,532**	275,720

14. Loans and financings--Continued

14.1. Loans and financings

	Interest rates (p,m,)	Maturity	Parent company 2018	Parent company 2017	Consolidated 2018	Consolidated 2017
Investments	0,89%	January 2026	**9,668**	10,577	**9,668**	10,577
Others	0,86% to 100% of CDI + 0,80%	January 2019	**6**	22	**6**	22
Total loans and financings (Note 14)			**9,674**	10,599	**9,674**	10,599
Current			**1,654**	829	**1,654**	829
Non-current			**8,020**	9,770	**8,020**	9,770

14.2. Debentures and Agribusiness Receivables Certificate (CRA)

	Interest rates (p,m,)	Maturity	Parent company and Consolidated 2018	Parent company and Consolidated 2017
Debentures 1st issue	100% of CDI + 0,15%	April 2018	**-**	20,325
Debentures 2nd issue	100% of CDI + 0,20%	March 2019	**6,689**	33,466
Debentures 3rd issue	100% of CDI + 0,20%	December 2019	**26,666**	61,414
Debentures (CRA) - 4th and 5th issue	100% of CDI + 0,09%	February 2019	**105,145**	105,592
Debentures 6th issue	100% of CDI + 0,24%	May 2020	**37,164**	62,127
Debentures 7th issue (CRA)	100% of CDI + 0,07%	October 2020	**102,638**	205,683
Financial charges to be incurred (i)			**(8,863)**	(13,499)
Total debentures (Note 14)			**269,439**	475,108
Current			**159,927**	209,158
Non-current			**109,512**	265,950

(i) Costs of issue of debentures and CRA.

14. Loans and financings--Continued

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

The amounts of non-current debentures and CRAs, not deducting financial charges to be incurred, have the following original maturities as of December 31, 2018 ad 2017:

	Parent company and Consolidated	
Year	**2018**	**2017**
2019	**-**	178,875
2020	**113,558**	95,423
	113,558	274,298

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.

The ratios and minimum and maximum amounts required by these covenants as of December 31, 2018 and 2017 are presented below:

Loans and financings:

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

(ii) The adjusted EBITDA/net financial expense 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 (covenants) 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;

Debentures 6th issue:

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

14. Loans and financings--Continued

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

Debentures 7th issue (CRA):

(i) The Company’s net debt/adjusted EBITDA (covenants) 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;

Covenants

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

	Consolidated	
	2018	**2017**
Net sales revenue (Note 24)	**2,348,333**	1,783,838
Cost of sales and expenses on stores (Notes 25 and 26) (i)	**(1,976,212)**	(1,506,745)
Operating EBITDA	**372,121**	277,093
Operating EBITDA margin	**15,8%**	15,5%
General and administrative expenses (Note 27) (i)	**(88,655)**	(71,918)
Adjusted EBITDA (covenants)	**283,466**	205,175
Loans and financings (Debt) (Note 14)	**279,113**	485,707
Cash and cash equivalents and marketable securities (Notes 5 and 6)	**(602,946)**	(1,192,014)
Net debt	**(323,833)**	(706,307)
Financial income (expenses), net	**10,897**	(56,264)
Net debt/ Adjusted EBITDA (covenants) ratio	**(1.1)**	(3.4)
Adjusted EBITDA (covenants)/financial income (expenses) ratio	**26.0**	3.6

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

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 Initial Public 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, 2018, the Company has a letter of guarantee with banks amounting to R$7,980 (R$6,593 in 2017) as collateral for the rental of stores.

14. Loans and financings--Continued

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

Collaterals --Continued

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 borrowings 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 meal voucher 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.

15. Trade and rental payables

	Parent company		Consolidated	
	2018	2017	2018	2017
Suppliers of materials and services	**186,372**	132,867	**188,145**	132,911
Agreement Suppliers (Confirming) (i)	**43,619**	-	**43,619**	-
Rentals and commercial rights	**9,479**	6,086	**9,479**	6,086
Total trade and rental payables	**239,470**	138,953	**241,243**	138,997

(i) The Company has financial liabilities with suppliers, through financial institutions, whose maturities were postponed, or suppliers received in advance in the year ended December 31, 2018 (Note 2.17).

16. Corporate payables

	Parent company		Consolidated	
	2018	2017	2018	2017
Royalties/Franchise Fee (Note 21.1)	**17,950**	13,966	**17,961**	13,966
Total corporate payables	**17,950**	13,966	**17,961**	13,966

17. Taxes payable

	Parent company		Consolidated	
	2018	2017	2018	2017
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**2,176**	2,424	**2,176**	4,378
Corporate Income Tax (IRPJ)	**8,085**	71	**8,823**	74
Social Contribution on Profit (CSLL)	**2,930**	18	**3,064**	71
Social Integration Program (PIS)	**282**	889	**282**	1,147
Withholding Income Tax (IRRF)	**4,109**	331	**4,111**	887
State VAT (ICMS)	**5,738**	5,958	**5,802**	6,062
Contribution For Intervention in the Economic Domain (CIDE)	**1,739**	1,401	**1,740**	1,602
Taxes in installments (i)	**-**	94	**12,144**	5,563
Service Tax (ISS) withheld	**4,665**	3,583	**4,665**	3,584
Social Security Contribution (INSS) withheld	**-**	-	**-**	201
INSS payable (ii)	**-**	-	**11,855**	-
Other	**603**	1,282	**872**	1,816
Total taxes payable	**30,327**	16,051	**55,534**	25,385
Current	**30,327**	16,023	**33,781**	20,272
Non-current	**-**	28	**21,753**	5,113

(i) Refers to the installment payment of taxes and enrollment in the PERT made by the investees.
(ii) Refers to the spontaneous installment of INSS of funds made by the investees.

18. Deferred revenue, net

	Parent company and Consolidated	
	2018	2017
	Deferred revenue	Deferred revenue
Deferred revenue, net	**35,487**	**-**
Total deferred revenue, net	**35,487**	**-**
Current	**9,091**	**-**
Non-current	**26,396**	**-**

The deferred revenue is related to resources in advance for the marketing campaign agreement entered into with specific suppliers for the exclusive sale of products of these suppliers in Burger King restaurants, exposure of suppliers' brands and investment in marketing campaigns to increase the sales of Burger King products and consequently increase in sales of the suppliers' products.

19. Other payables

	Parent company		Consolidated	
	2018	2017	2018	2017
Provision for sundry expenses	**10,200**	15,442	**16,114**	15,442
Investments payable – BGMAXX	**500**	500	**500**	500
Investments payable – (note 4)	**14,180**	-	**14,181**	-
Advances from customers	**1,960**	3,771	**1,960**	3,771
Others	**384**	224	**1,468**	233
Total other payables	**27,225**	19,937	**34,223**	19,946
Current	**13,045**	19,937	**14,129**	19,946
Non-current	**14,180**	-	**20,094**	-

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, 2018, 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$40,734 (R$28,606 in 2017), in the parent Company and R$41,383 (R$28,606 in 2017) in the Consolidated, as follows:

	Parent company			
	2018		2017	
	Probable	Possible (i)	Probable	Possible (i)
Labor lawsuits	**8,834**	**23,223**	5,706	19,641
Civil lawsuits	**699**	**5,928**	500	6,066
Tax lawsuits	**6**	**11,583**	15	2,899
Total provision for legal claims	**9,539**	**40,734**	6,221	28,606

	Consolidated			
	12/31/2018		12/31/2017	
	Probable	Possible (i)	Probable	Possible (i)
Labor lawsuits	**9,951**	**23,870**	5,706	19,641
Civil lawsuits	**781**	**5,930**	500	6,066
Tax lawsuits	**(2)**	**11,583**	15	2,899
Total provision for legal claims	**10,730**	**41,383**	6,221	28,606

(i) 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 and its investees are parties to labor lawsuits, mainly regarding employee terminations in the normal course of business, As of December 31, 2018, the Company had a provision of R$8,834 (R$5,706 in 2017) in the Parent company and R$9,951 (R$5,706 in 2017) in the Consolidated, for the contingencies related to lawsuits.

These contingencies are assessed 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.

20. Provision for legal claims--Continued

Possible labor claims

During 2017, the Labor Public Prosecution Office filed two civil class actions against the Company for approximately 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 such cases, the Company and its legal counsel consider the chances of a loss outcome as only possible. During 2018, the civil class action related to the hiring of disabled people, settled for R$300 was reached, and the last installment will be paid in January 2019.

Also in 2018, the Labor Public Prosecution Office filed two additional lawsuits against the Company for (i) a civil class action claiming for positive covenants in connection with alleged irregularities in which the hearing was set for the first quarter of 2019; and (ii) an enforcement of TAC (conduct adjustment term) for alleged non-compliance with obligations related to the labor environment, in which the Company has not yet been notified.

Possible civil lawsuits

During 2018, the Company was not informed of new significant cases with expectation of possible loss.

Possible tax lawsuits

In 2018, there was an increase in the possible risk amount due to the tax deficiency notices issued by the State of Minas Gerais for collection of ICMS-ST tax on purchases of goods in the last five years from suppliers located in other states. The Company informs that these cases are under judicial discussion aimed at the full annulment of the debts.

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

	Parent company			
	2017	**Additions**	**Payments**	**2018**
Labor lawsuits	5,706	**9,619**	**(6,491)**	**8,834**
Civil lawsuits	500	**201**	**(2)**	**699**
Tax lawsuits	15	**-**	**(9)**	**6**
Total	6,221	**9,820**	**(6,502)**	**9,539**

	Consolidated				
	12/31/2017	**Legal claims of subsidiaries prior to the acquisition**	**Additions**	**Payments**	**12/31/2018**
Labor lawsuits	5,706	**542**	**10,496**	**(6,793)**	**9,951**
Civil lawsuits	500	**23**	**263**	**(5)**	**781**
Tax lawsuits	15	**-**	**527**	**(544)**	**(2)**
Total	**6,221**	**565**	**11,286**	**(7,342)**	**10,730**

20. Provision for legal claims—Continued

Judicial deposits

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Labor lawsuits	**24,053**	20,787	**24,574**	20,816
Civil lawsuits	**834**	1,117	**834**	1,117
Tax lawsuits	**5,495**	4,633	**5,495**	4,633
Total judicial deposits	**30,382**	26,537	**30,903**	26,566

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

21. Related parties

Burger King Corporation (“BKC”) is a related party because BKC is a minority shareholder in the Company. As discussed in Note 1, the Company has entered into a Master Franchisee agreement and which the Company has obligations to pay a franchise fee and royalties to BKC.

21.1 Franchise Fees and Royalties

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

21. Related Parties--Continued

In view of the agreements described above, the Company has recorded in its payables and receivables in 2018 and 2017 the following amounts:

	Burger King Corporation (BKC)		BG MAXX BA	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Assets				
Trade receivables (Note 7)	**655**	639	**-**	-
Additions to Franchise Fee (Note 13)	**10,010**	8,862	**-**	-
Other receivables (i)	**-**	-	**2,162**	2,162
Liabilities				
Corporate payables (Note 16)	**(17,950)**	(13,966)	**-**	-
Other payables	**-**	-	**-**	(74)
Profit or loss				
Royalties expenses	**(106,576)**	(87,405)	**-**	-

	King Food		Fast Burger		Good Food	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Asset						
Additions to Franchise Fee (Note 13)	**-**	-	**-**	-	**52**	-
Other receivables (BKB) (ii)	**530**	-	**740**	-	**321**	-
Liabilities						
Other payables (BKB) (iii)	**(949)**	-	**(2.939)**	-	**(1.776)**	-
Profit or loss						
Royalties expenses (BKC)	**(1,928)**	**-**	**(3,310)**	**-**	**(2,631)**	**-**

(i) Refund of marketing fund and services provided;
(ii) Sale of equipment;
(iii) Purchase of inputs.

21.2 Management compensation

	2018	2017
Management fees	**4,874**	4,511
Direct and indirect benefits	**973**	918
Variable compensation	**10,522**	6,767
	16,369	12,196

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

22. Equity

Capital

As of December 31, 2018, the Company's capital is R$898,233 and is represented by 222,525,821 registered common shares, book-entry and without par value (capital was R$895,836 and was represented by 222,278,169 shares as of December 31, 2017), held as follows:

	Shareholding Structure BK Brasil – 12/31/2018		
	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%**
Montjuic Fundo de Investimento em Participações (Capital Group)	**28,380,817**	**28,380,817**	**12,8%**
Burger King do Brasil Assessoria a Restaurantes Ltda.(BKC)	**22,442,100**	**22,442,100**	**10,1%**
Sommerville Investments B,V, (Temasek)	**18,523,620**	**18,523,620**	**8,3%**
Others	**123,643,891**	**123,643,891**	**55,5%**
	222,525,821	**222,525,821**	**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 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).

22. **Equity**--Continued

Capital--Continued

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.

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 Participações, 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”.

22. **Equity**--Continued

Capital--Continued

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.

Capital increase

On December 18, 2017, the Company conducted its initial public offering of shares (IPO) with the issue of 49,230,769 common shares totaling R$886,153 with emission costs of R$48,578 in 2017, and a supplement of R$4,742 in 2018. 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).

On August 28, 2018, a capital increase to R$898,233 was approved through the issue of 194,350 new common shares for the issue price of R$9.56 each due to the option for purchase of shares granted under the First Stock Option Plan, plus the issue of 5,251 new common shares for the issue price of R$6.99 per share due to the option for purchase of shares granted under the Second Stock Option Plan, plus the issue of 48,051 new common shares for the issue price of R$10.44 per share due to the option for purchase of shares granted under the Third Stock Option Plan, totaling R$2,397.

Capital reserves

On April 27, 2018, the Annual and Extraordinary Meeting approved the following: (i) allocation of the profit for the year ended December 31, 2017 in the amount of R$3,819 for reduction of the portion of accumulated losses; and (ii) the absorption of the total accumulated losses, after item (i) in the total amount of R$194,364 in the capital reserve, which had a balance of R$915,722 in the year ended December 31,2017.

Allocation of profits

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

(i) Minimum 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.

22. **Equity**--Continued

Allocation of profits--Continued

The Company did not provide for dividends in 2017 due to the absorption of the profit for the year into accumulated losses, and in 2018 the Company calculated interest on capital for the allocation of profits:

	Parent company and Consolidated	
	2018	**2017**
Profit for the year	**128,036**	3,819
Accumulated losses		
Opening balance	**-**	(198,183)
Absorption of profit for the year	**-**	3,819
Closing balance	**-**	(194,364)

Interest on capital

As provided for in Law nº. 9.249/45, the Company calculated interest on capital based on the long-term interest rate (TJLP) prevailing in the year, in the amount of R$30,409 (net of IRRF in the amount of R$3,683), corresponding to the year 2018, approved at the Board of Directors' meeting of Dezember 14, 2018.

Base for calculation of dividends and interest on capital	**2018**
Profit for the year	128,036
(-) Legal reserve	6,401
Base for calculation of dividends	**121,635**
Minimum mandatory dividends (25%)	30,409
Interest on capital	30,409
Withholding income tax	(3,683)
Net remuneration of interest on capital	**26,726**

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23. Earnings 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 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 per share is computed similarly to basic earnings 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 per share:

	Parent company and Consolidated	
	2018	**2017**
Basic numerator		
Profit for the year	**128,036**	3,819
Basic denominator		
Basic weighted average number of shares – in thousands	**222,363**	158,477
Basic earnings per share	**0,5758**	0,0241
Diluted numerator		
Profit for the year	**128,036**	3,819
Diluted denominator		
Weighted average number of shares - in thousands	**222,363**	158,474
Stock options (Note 34)	**3,781**	2,831
Diluted weighted average number of shares	**226,144**	161,308
Diluted earnings per share	**0,5662**	0,0241

24. Net operating revenue

	Parent company		Consolidated	
	2018	2017	2018	2017
Gross sales revenue	**2,366,170**	1,917,672	**2,541,794**	1,917,672
Sales revenue deductions	**(192,571)**	(148,082)	**(206,106)**	(148,082)
Net sales revenue	**2,173,599**	1,769,590	**2,335,688**	1,769,590
Gross revenue from services rendered	**14,327**	15,089	**14,327**	15,089
Service revenue deductions	**(1,682)**	(841)	**(1,682)**	(841)
Net service revenue	**12,645**	14,248	**12,645**	14,248
Total net operating revenue	**2,186,244**	1,783,838	**2,348,333**	1,783,838

25. Cost of sales

	Parent company		Consolidated	
	2018	2017	2018	2017
Costs of food, beverages and packaging	**(739,651)**	(630,801)	**(797,728)**	(630,801)
Other costs (i)	**(92,380)**	(57,070)	**(93,564)**	(57,070)
Cost of sales and services	**(832,031)**	(687,871)	**(891,292)**	(687,871)

(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	
	2018	2017	2018	2017
Administrative personnel expenses	**(378,881)**	(308,198)	**(404,463)**	**(308,198)**
Royalties and marketing fund	**(200,168)**	(160,078)	**(215,794)**	**(160,078)**
Occupancy and utilities expenses	**(262,682)**	(221,930)	**(280,234)**	**(221,930)**
Depreciation and amortization (Notes 12 and 13)	**(117,643)**	(109,253)	**(125,113)**	**(110,197)**
Preoperating expenses (i)	**(9,678)**	(6,138)	**(9,678)**	**(6,138)**
Sundry services	**(53,841)**	(39,127)	**(54,494)**	**(39,127)**
Repairs and maintenances	**(45,767)**	(27,678)	**(48,001)**	**(27,678)**
Others	**(76,517)**	(61,786)	**(81,934)**	**(61,863)**
Total expenses with stores	**(1,145,177)**	(934,188)	**(1,219,711)**	**(935,209)**

(i) 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.

27. General and administrative expenses

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Administrative personnel expenses	**(99,664)**	(85,845)	**(99,774)**	(85,845)
Administrative occupancy and utilities expenses	**(2,194)**	(1,135)	**(2,299)**	(1,135)
Depreciation and amortization (Notes 12 and 13)	**(7,837)**	(9,500)	**(8,031)**	(9,500)
Expenses on acquisitions and mergers (i)	**(5,467)**	(2,098)	**(6,711)**	(2,098)
Disposal of property and equipment (Notes 12 and 13)	**(6,191)**	(17,867)	**(6,832)**	(17,912)
Income from stores sold	**8,591**	10,155	**8,591**	10,155
Write-off of assets of stores sold (Note 12 and 13)	**(4,321)**	(9,113)	**(4,671)**	(9,113)
Gain on claims	**4**	309	**4**	309
Reversal (provision) for impairment (Note 12)	**(4,205)**	4,627	**(4,205)**	4,627
Stock options cost (Note 34)	**(4,486)**	(5,518)	**(4,486)**	(5,518)
Other operating income (expenses), net (ii)	**24,055**	20,611	**17,904**	20,580
Total general and administrative expenses	**(101,715)**	(95,374)	**(110,510)**	(95,450)

(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	
	2018	**2017**	**2018**	**2017**
Interest on loans and financing	**(31,942)**	(63,117)	**(31,971)**	(63,190)
Banking expenses and sundry interest	**(4,092)**	(4,849)	**(6,153)**	(4,960)
Foreign exchange losses	**(1,771)**	(582)	**(2,004)**	(582)
Swap expenses	**-**	(438)	**-**	(438)
Adjustment to the contingent consideration payable balance	**-**	(9,527)	**-**	(9,527)
Other financial expenses	**(4,341)**	(4,915)	**(4,480)**	(5,992)
Financial expenses	**(42,146)**	(83,428)	**(44,608)**	(84,689)

29. Financial income

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Short-term interest and yield	**48,621**	25,986	**53,142**	26,373
Foreign exchange gains	**1,170**	2,093	**1,176**	2,093
Swap income	**-**	4	**-**	4
Taxes on financial income	**(2,471)**	(1,260)	**(2,545)**	(1,260)
Other financial income	**3,715**	1,216	**3,732**	1,215
Financial income	**51,035**	28,039	**55,505**	28,425

30. Income tax and social contribution

Breakdown of expenses

The breakdown of income tax and social contribution expenses for the years ended December 31, 2018 and 2017 is as follows:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Current	**(30,999)**	-	**(35,451)**	**-**
Deferred	**27,333**	(5,225)	**25,770**	**(5,225)**
	(3,666)	(5,225)	**(9,681)**	**(5,225)**

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 income for the years ended December 31, 2018 and 2017 is shown below:

	Parent company		Consolidated	
	2018	**2017**	**2018**	**2017**
Profit (loss) before income tax and social contribution	**131,702**	9,044	**137,717**	9,044
Income tax and social contribution expense at the combined statutory rate of 34%	**(44,779)**	(3,075)	**(46,824)**	(3,075)
Adjustments to reconcile the effective rate:				
Equity pickup	**5,267**	(670)	**-**	-
Deferred taxes not recognized	**36,629**	(10,487)	**36,629**	(10,487)
Payment of non-deductible bonus	**(3,577)**	(2,301)	**(3,577)**	(2,301)
Cash shortage	**(397)**	(480)	**(397)**	(480)
Tax and labor fines and infractions	**(167)**	(217)	**(167)**	(217)
Stock options costs	**(1,526)**	(1,876)	**(1,526)**	(1,876)
Share issue costs	**1,884**	16,517	**1,884**	16,517
Interest on capital	**3,586**	-	**3,586**	-
Other permanent differences	**(587)**	(2,636)	**710**	(3,306)
Income tax and social contribution	**(3,666)**	(5,225)	**(9,681)**	(5,225)
Effective rate	**2.8%**	57.8%	**7.0%**	57.8%

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.

30. Income tax and social contribution--Continued

Deferred--Continued

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

	Parent company		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Deferred income tax and social contribution - assets	**23.459**	-	**28,680**	-
Deferred income tax and social contribution - liabilities	**(41,172)**	(38,309)	**(41,172)**	(38,309)
	(17,713)	(38,309)	**(12,492)**	(38,309)

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

	Parent company		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Tax loss carryforwards	**130,765**	190,859	**130,765**	190,859
Temporary differences				
Provision for legal claims (Note 20)	**9,539**	6,221	**10,730**	6,221
Provision for bonuses	**27,014**	24,891	**27,014**	24,891
Provision for purchases	**7,180**	1,426	**7,180**	1,426
Provision for impairment (Note 12)	**7,533**	3,328	**7,533**	3,328
Preoperating	**20,559**	15,749	**20,559**	15,749
Accrued expenses	**14,967**	15,791	**29,135**	15,791
Others	**2,020**	47	**2,017**	47
Tax base	**219,577**	258,312	**234,934**	258,312
Statutory rate	**34%**	34%	**34%**	34%
	74,656	87,826	**79,877**	87,826
(-) Unrecognized deferred taxes	**(51,197)**	(87,826)	**(51,197)**	(87,826)
Deferred income tax and social contribution - assets	**23,459**	-	**28,680**	-
Transitional Tax System (RTT)	**(1,583)**	(1,743)	**(1,583)**	(1,743)
Financial charges to be incurred	**(8,863)**	(13,499)	**(8,863)**	(13,499)
Tax amortization of goodwill	**(110,559)**	(97,304)	**(110,559)**	(97,304)
Gain (loss) on derivative transactions	**(90)**	(127)	**(90)**	(127)
Tax base	**(121,095)**	(112,673)	**(121,095)**	(112,673)
Combined rate	**34%**	34%	**34%**	34%
Deferred income tax and social contribution – liabilities	**(41,172)**	(38,309)	**(41,172)**	(38,309)
Deferred income tax and social contribution, net	**(17,713)**	(38,309)	**(12,492)**	(38,309)

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 2019. Regarding the total balance of tax loss of R$130,765, there was no recognition of deferred income tax and social contribution. The Company does not consider the balance of tax losses of its subsidiaries since there is no historical taxable income.

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, 2018.

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	**2018**	**2017**	**2018**	**2017**
Financial assets				
Cash equivalents (Note 5)	**136,812**	82,231	**144,733**	82,341
Marketable securities (Note 6)	**414,637**	1,089,669	**427,983**	1,089,669
Financial liabilities				
Loans and financings (Note 14)	**(279,113)**	(485,707)	**(279,113)**	(485,707)

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 6.39%

			Consolidated				
			I	**II**	**III**	**IV**	**V**
Asset exposure consolidated	**Exposure**	**Risk**	**Probable**	**50%**	**25%**	**(25%)**	**(50%)**
Cash equivalent and marketable securities (Notes 5 and 6)	**572,716**	**DI variation**	**53,142**	**26,571**	**13,286**	**(13,286)**	**(26,571)**
Loans and financings (Note 14) (i)	**(269,445)**	**DI variation**	**(31,971)**	**(15,986)**	**(7,993)**	**7,993**	**15,986**

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

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				
				I	II	III	IV	V
Asset exposure	**Exposure**	**Risk**	**Exchange rate as of 12/31/2018**	**Probable**	**50%**	**25%**	**(25%)**	**(50%)**
Royalties/Franchise Fee (Note 16)	**17,950**	**US dollar variation**	**3.8748**	**17.950**	**(8.975)**	**(4.488)**	**4.488**	**8.975**

				Consolidated				
				I	II	III	IV	V
Asset exposure	**Exposure**	**Risk**	**Exchange rate as of 12/31/2018**	**Probable**	**50%**	**25%**	**(25%)**	**(50%)**
Royalties/Franchise Fee (Note 16)	**17.961**	**US dollar variation**	**3.8748**	**17.961**	**(8.981)**	**(4.490)**	**4.490**	**8.981**

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, 2018.

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 an 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.

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	**2018**	**2017**	**2018**	**2017**
AAA	**436,160**	543,601	**319,984**	543,711
AA+	**1,370**	66,947	**77,689**	66,947
AA	**-**	-	**31,231**	-
AA-	**113,919**	557,921	**143,812**	557,921
BBB+	**-**	3,431	**-**	3,431
	551,449	1,171,900	**572,716**	1,172,010

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, 2018:

	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)	**166,962**	**166,962**	**166,962**	**-**	**-**	**166,962**
Marketable securities (Note 6)	**414,637**	**414,637**	**-**	**402,276**	**12,361**	**414,637**
Trade receivables (Note 7)	**59.528**	**59,528**	**59,528**	**-**	**-**	**59,528**
Liabilities						
Loans and financings (Note 14)	**279,113**	**309,696**	**120,691**	**57,275**	**131,730**	**309,696**
Trade and rental payables (Note 15)	**237.879**	**237,879**	**237,879**	**-**	**-**	**237,879**
Corporate payables (Note 16)	**17,950**	**17,950**	**17,950**	**-**	**-**	**17,950**
Taxes payable (Note 17)	**30.327**	**30,327**	**30,327**	**-**	**-**	**30,327**

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)	174,963	174,963	174,963	-	-	174,963
Marketable securities (Note 6)	427,983	427,983	-	415,622	12,361	427,983
Trade receivables (Note 7)	59,603	59,603	59,603	-	-	59,603
Liabilities						
Loans and financings (Note 14)	279,113	309,696	120,691	57,275	131,730	309,696
Trade and rental payables (Note 15)	241,243	241,243	241,243	-	-	241,243
Corporate payables (Note 16)	17,961	17,961	17,961	-	-	17,961
Taxes payable (Note 17)	55,534	55,534	30,327	3,454	21,753	55,534

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.

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	
	2018	**2017**
Equity	**1,716,960**	1,617,194
Cash and cash equivalents (Note 5)	**(174,963)**	(102,345)
Marketable securities (Note 6) (i)	**(427,983)**	(1,089,669)
Loans and financings (Note 14) (i)	**279,113**	485,707
Net debt	**(323,833)**	(706,307)
Total capital	**1,393,127**	910,887

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

Hedge accounting

The Company applies the hedge accounting rules to derivative and non-derivative instruments that qualify for cash flow hedge relationship, according to the determinations of its Risk Policies.

The Company makes the formal designation of its hedge accounting relationship, as provided for in CVM Resolution 763/16 IFRS 9 and with its Risk Policy. The relationships used by the Company as of December 31, 2018 are described below:

i. Cash flow hedge

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

ii. Gains and losses on hedge accounting instruments

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

31. Financial risk management objectives and policies--Continued

iii. Sensitivity analysis

In accordance with CVM Instructiong 475/08, the Company shows the possible impacts of the financial instruments in profit or loss and equity considering the scenarios: probable, pessimistic (25% deviation) and adverse (50% deviation).

Parity - R$ x EUR						
Transaction/Instrument	**Risk**	**Current Scenario**	**Scenario I 25% Appreciation**	**Scenario II 50% Appreciation**	**Scenario III 25% Depreciation**	**Scenario IV 50% Depreciation**
Designated as hedge accounting						
NDF	R$ depreciation	**(2)**	**404**	809	(408)	(813)
Import (item)	R$ appreciation	**2**	**(404)**	**(809)**	**408**	**813**
Net effect		**-**	**-**	**-**	**-**	**-**

32. Derivative financial instruments

	Parent company and Consolidated	
	2018	**2017**
NDF - Non deliverable Forward	**90**	**127**
Total NDF	**90**	**127**

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

			Parent company and Consolidated			
			2018		**2017**	
Instruments	**Maturity**	**Assets (hedged item)**	**Notional**	**Fair value**	**Notional**	**Fair value**
(Not designated as cash flow hedge)						
NDF	1/15/2018	USD + Fixed rate of 4.2209%	**-**	**-**	**2,932**	**127**
NDF	1/15/2019	USD + Fixed rate of 3.7590%	**483**	**15**	**-**	**-**
NDF	1/15/2019	USD + Fixed rate of 3.7290%	**1,932**	**75**	**-**	**-**
NDF	1/30/2019	EURO + 4.4551%	**432**	**-**	**-**	**-**
NDF	1/9/2019	EURO + 4.4369%	**433**	**-**	**-**	**-**
NDF	1/16/2019	EURO + 4.4427%	**432**	**-**	**-**	**-**
NDF	1/23/2019	EURO + 4.4487%	**432**	**-**	**-**	**-**
			4,144	**90**	**2,932**	**127**

Gains and losses on derivative transactions are recognized monthly in the result of the year, 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 classified into the valuation hierarchy.

As of December 31, 2018, 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.

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 fair values of the main financial assets and liabilities approximate their carrying amounts, as shown below:

	Consolidated		
	Carrying amount	**Fair value**	**Fair value hierarchy level**
Assets			
Cash and cash equivalents (Note 5)	**174,963**	**174,963**	**2**
Marketable securities (Note 6)	**427,983**	**427,983**	**2**
Trade receivables, net (Note 7)	**59,603**	**59,603**	**2**
Derivative financial instruments (Note 32) (i)	**90**	**90**	**2**
Liabilities			
Loans and financings (Note 14)	**279,113**	**290,873**	**2**
Trade and rental payables (Note 15)	**241,243**	**241,243**	**2**
Corporate payables (Note 16)	**17,961**	**17,961**	**2**

(i) All derivatives are classified as at fair value through profit or loss, however, those designated as hedge accounting have their effects also in Equity or in Inventories.

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.

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**	**Total**
Grant date	07/07/2014	07/07/2014	N/A
Plan amendment date	22/06/2017	22/06/2017	N/A
Vesting date	14/07/2019	14/07/2020	N/A
Exercise price	9.80	9.80	9.80
Strike price (estimated) at the end of the reporting period	20.68	20.68	20.68
Risk-free interest rate%	9.20%	9.87%	N/A
Contractual period by tranche	1 ano	2 anos	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	26,800	26,800	53,600
Number of options vested	2,374,950	-	2,374,950
Number of options lost/expired	39,100		39,100
Number of options exercised	4,289,150	-	4,289,150
Number of options to be exercised	2,401,750	26,800	2,428,550
Estimated fair value (R$/share)	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.

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	Total
Grant date	22/06/2017	N/A
Vesting date	14/07/2019	N/A
Exercise price	7.01	7.01
Strike price (estimated) at the end of the reporting period	20.68	20.68
Risk-free interest rate%	9.20%	N/A
Contractual period by tranche	1 ano	N/A
Expected return of dividend	0%	N/A
Volatility of shares in the market %	14.91%	N/A
Total number of options outstanding	827,600	827,600
Number of options vested	429,249	429,249
Number of options lost/expired	-	-
Number of options exercised	1,267,551	1,267,551
Number of options to be exercised	1,256,849	1,256,849
Estimated fair value (R$/share)	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.

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 (i)			
	First tranche	Second tranche	Third tranche	Total
Grant date	22/06/2017	22/06/2017	22/06/2017	N/A
Vesting date	14/07/2019	14/07/2020	14/07/2021	N/A
Exercise price	10.49	10.49	10.49	10.49
Strike price (estimated) at the end of the reporting period	20.68	20.68	20.68	20.68
Risk-free interest rate%	9.20%	9.87%	10.24%	N/A
Contractual period by tranche	1 ano	2 anos	3 anos	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	1,023,700	1,535,300	1,535,300	4,094,300
Number of options vested	976,549	-	-	976,549
Number of options lost/expired	-	-	-	-
Number of options exercised	48,051	-	-	48,051
Number of options to be exercised	2,000,249	1,535,300	1,535,300	5,070,849
Estimated fair value (R$/share)	1.0764	1.5304	1.929	N/A

(i) 175,500 options were granted on 08/28/2018 considering the same assumptions as shown on the table above, with an estimated fair value equivalent to the price of BKBR3 on the grant date.

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
Granted	-	-	175,500	175,500
Canceled	(39,100)	-	-	(39,100)
Exercised	(194,350)	(5,251)	(48,051)	(247,652)
Outstanding as of December 31, 2018	2,428,550	1,256,849	5,070,849	8,756,248
Exercisable as of December 31, 2018 (vested) (Note 23)	2,374,950	429,249	976,549	3,780,748

In the year ended December 31, 2018, the Company recognized the amount of R$4,486 (R$5,518 in 2017) of expenses arising from the stock options plans, recorded in line item General and administrative expenses (Note 27).

35. Insurance

As of December 31, 2018, 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	15,000
Property (RO) - Average	70,000
Professional Civil Liability (E&O)	7,200
Public Offering Insurance (POSI)	32,000

36. Commitments - operating leases

As of December 31, 2018, the Company has 631 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$123,738 (R$71,359 in 2017) was recognized as expense in the statement of income related to operating leases, under the item Expense with occupation and utilities.

Future minimum lease payments under non-cancelable operating leases considering the stores in operation as of December 31, 2018 are as follows:

	2018	2017
Within one year	**142,162**	108,066
Over one year and less than five years	**574,097**	426,513
Over five years	**182,150**	121,810
	898,409	656,389

37. Subsequent events

37.1. Capital increase

At the meeting on January 8, 2019, the Company's Board of Directors approved the increase in the Company's capital within the authorized capital limit and with no amendment to the Company's Bylaws.

The amount of the approved increase was R$17,180 as a result of the exercise of stock options, with the Company's capital stock increasing from R$898,233 to R$915,412.

As a result of the increase in the Company's capital, 1,751,459 new registered common shares with no par value were issued as follows: (i) under the First Plan, 1,720,815 new common shares for the issue price of R$9.80 per share; (ii) under the Second Plan, 1,607 new common shares for the issue price of R$7.01 per share; and (iii) under the Third Plan, 29,037 new common shares for the issue price of R$10.49 per share.

The increase in the Company's capital mentioned above was paid up until January 31, 2019.

BK Brasil Operação e Assessoria a Restaurantes S.A.

SUMMARY OF THE REPORT OF THE AUDIT COMMITTEE
2018

The Audit Committee of BK Brasil Operation and Advisory Services to Restaurants S.A. (BKB) is an advisory body to the Board of Directors, of a permanent nature. Its operation, composition and attributions are governed by the Internal Regulations of the Audit Committee, approved by the Board of Directors.

The BK Audit Committee is composed of three members elected by the Board of Directors, where two of them hold a two-year term in the Board. For the Audit Committee, the term of office is one year. Mr. Guy Almeida Andrade is the financial expert, an independent member of the Committee.

The Committee meets monthly on an ordinary and extraordinary basis, whenever necessary and when convened by its Coordinator, at the request of the Board of Directors or any of the members of the Committee.

As a member of the Board of Directors, the Committee Coordinator reports quarterly on the Committee's activities to the Board. Relevant or extraordinary facts are brought to the attention of the Board, when applicable.

During 2018, the committee held thirteen meetings to fulfill its role and its activities during this period are described below.

Monitoring of Internal Audit activities: The internal audit of BKB (AI) operates on two fronts: (a) corporate audit; and (b) restaurant auditing. Both activities are under the supervision of the Audit Committee.

During the year 2018, as part of its work, the Internal Audit held meetings with Management to align the audit points and their action plans, focusing on the most critical risks.

During the year, the internal audit structure was improved, with the hiring of an audit assistant and the outsourcing of IT data extraction tool specialist, improving the area.

In the year ended, training was provided for the entire team, with an emphasis on specific career issues.

During the year, the Committee made several recommendations to the audit plan, aiming at improving the scope and purpose of the work.

The Committee performed the formal evaluation of the internal audit, observing a significant improvement in the period under review, compared to the previous year, when it was implemented. From the evaluation came recommendations for improvement, which were discussed with the person in charge of the area.

Follow-up of the activities of the External Audit: Ernst & Young Auditores Independentes (EY) is the company responsible for auditing the financial statements for the fiscal year 2018, for the planning and execution of its work, according to the rules of the profession, as well as being responsible for the limited reviews of the quarterly information (ITRs) sent to the Brazilian Securities and Exchange Commission (CVM).

The Committee held regular meetings with the external auditors to discuss the audit results and the relevant accounting aspects, which allowed its members to evaluate the quality and objectivity of the work performed.

BKB maintains a policy for hiring independent auditors to perform other services. This policy was approved by the Board of Directors at a meeting held on November 14, 2017. The engagement of any other services is approved by the Committee.

The committee made the formal evaluation of the external auditors and concluded that they maintained their independence and objectivity throughout 2018. The Committee recommended to the Board of Directors the maintenance of the EY as external auditors of the BKB.

Follow-up of the annual financial statements: The Controllership, on a quarterly basis, presents to the Audit Committee the financial statements of BKB, discussing its performance and its variations. Also, on a quarterly basis, the Committee meets with the external auditors, who present their conclusions on the quarterly financial statements, making the observations they deem pertinent. At such times, the Committee also meets with the auditors alone, and makes the inquiries it deems necessary.

Follow-up of the Company's business and the internal controls environment: Throughout 2018, the Audit Committee met with BKB directors and became aware of the strategy of the areas, the main ongoing projects, the organizational changes, the status of the implementation of the action plans for the most critical audit points and actions taken to improve the internal control environment.

Follow-up of communications received by the Complaints Channel: The Complaints Channel of BKB is outsourced to a specialized company. The complaints received are forwarded to the Internal Audit, which assesses them. The identity of the whistleblower is preserved and measures are taken to ensure such confidentiality.

Conclusion

Based on the information and discussions referred to above, the Audit Committee recommends to the Board of Directors the approval of the audited financial statements for the fiscal year ended December 31, 2018.

Barueri, February 26, 2019.

Marcelo Dodsworth Penna
Coordenador do Comitê de Auditoria

Guilherme de Araújo Lins

Guy Almeida Andrade

Officer's Statement on the Financial Statements

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

We state hereby, as executive officers of BK Brasil Operação e Assessoria a Restaurantes S.A., a publicly-held corporation headquartered in the city of Alphaville – Barueri, State of São Paulo, at Alameda Tocantins, n° 350, 11º andar, registered under the Corporate Taxpayer's ID (CNPJ) n°, 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, 2018.

Barueri, February 27, 2019.

Iuri de Araújo Miranda
Chief Executive Officer

Clayton de Souza Malheiros
Chief Financial Officer

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 Tocantins, n° 350, 11º 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, 2018.

Barueri, February 27, 2019.

Iuri de Araújo Miranda
Chief Executive Officer

Clayton de Souza Malheiros
Chief Financial Officer