

## Financial Statements

# BK Brasil Operação e Assessoria a Restaurantes S.A.

December 31, 2020  
with Independent Auditor's Report  
(Free translation from Portuguese into English version)

## MANAGEMENT REPORT

### HIGHLIGHTS:

#### PERFORMANCE 12M20 x 12M19:

- **Net operating revenue** of R\$ 2,238.1 million, down 22.0%;
- **Comparable sales in same restaurants of -12.9%;**
- **Revenue of digital channels increases from R\$ 165.5 million to R\$ 476.2 million, +188%, reaching 21% of revenue;**
- **Adjusted EBITDA** of R\$ -17.5 million; **EBITDA Margin** of -0.8%;
- **Net loss** of R\$ 445.6 million.

FINANCIAL HIGHLIGHTS - R\$ MILLION (CONSOLIDATED)	2020	2019	VAR.
<b>NET OPERATING REVENUE</b>	<b>2,238.1</b>	<b>2,868.0</b>	<b>-22.0%</b>
ADJUSTED EBITDA	(17.5)	465.4	-103.8%
<i>% OF NET OPERATING REVENUE</i>	<i>-0.8%</i>	<i>16.2%</i>	<i>-1700bps</i>
NET INCOME (LOSS)	(445.6)	48.5	-1018.8%
GROSS DEBT	830.8	519.9	59.8%
NET DEBT (NET CASH)	10.0	(85.6)	-111.7%
<b>SHAREHOLDERS' EQUITY</b>	<b>1,838.5</b>	<b>1,786.6</b>	<b>2.9%</b>
OPERATIONAL HIGHLIGHTS	2020	2019	VAR.
<b># OF RESTAURANTS</b>	<b>905</b>	<b>912</b>	<b>-7</b>
<b>OWNED RESTAURANTS</b>			
# OWNED RESTAURANTS BEGINNING OF PERIOD	714	639	75
BURGER KING® RESTAURANT OPENINGS	17	61	(44)
BURGER KING® RESTAURANT CLOSINGS	(30)	(8)	(22)
ACQUISITION / SALE OF BURGER KING® RESTAURANT BUSINESSES	(1)	(11)	10
POPEYES® RESTAURANT OPENINGS	3	33	(30)
<b># OWNED RESTAURANTS END OF PERIOD</b>	<b>703</b>	<b>714</b>	<b>-11</b>
<b>FRANCHISEES RESTAURANTS</b>			
# FRANCHISEES RESTAURANTS BEGINNING OF PERIOD	198	162	36
BURGER KING® RESTAURANT OPENINGS	7	27	(20)
BURGER KING® RESTAURANT CLOSINGS	(4)	(2)	(2)
ACQUISITION / SALE OF BURGER KING® RESTAURANT BUSINESSES	1	11	(10)
<b># FRANCHISEES RESTAURANTS END OF PERIOD</b>	<b>202</b>	<b>198</b>	<b>4</b>
<b>COMPARABLE SALES GROWTH IN SAME RESTAURANTS BKB</b>	<b>-12.9%</b>	<b>4.9%</b>	<b>-1780bps</b>

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## MESSAGE FROM MANAGEMENT

2020 was, undoubtedly, the most difficult year in our recent history. The challenging global scenario brought by Covid-19, which arrived in Brazil in mid-March, directly affected our society and our business throughout the year. From the start, we were forced to **adapt** quickly. This word became part of every decision of our team, every day. We had to question processes, routines and habits that have worked very well for years, but we found that there are alternative ways to reach the same end, often surprisingly with more quality and efficiency. It was with this spirit and alignment that we led the Company in this turbulent sea, always focusing on protecting our employees, our customers, the society and our business.

The resilience of our model once again proved its strength. After having almost 70% of our restaurants closed at the end of March, which meant a significant sales loss, we had a strong and fast recovery, reaching, already in October, levels close to those of the previous year. In our opinion, this strong recovery was due to three main reasons: **acceleration of consumption trends, market dynamics and the Company's ability to adapt**. As regards behavioral changes, the digitalization trend, which we had already been monitoring and preparing for, was accelerated. We observed customers more interested in experiences with less friction and more convenience. Digital channels represent a share in our business that we estimated would take about 4 to 5 years to happen. Delivery, for example, a service mostly performed by delivery aggregators, saw its market double in size according to Google trends data, from 35 million users pre-crisis to approximately 70 million already in August 2020. With regard to market dynamics, we are starting to see signs of consolidation in a highly fragmented market. According to data of the Food Service Brasil Institute (IFB), the QSR business, as expected, has significantly increased its share within food service as a whole. And when we compare only with the performance of large chains, Burger King reached the end of the fourth quarter with its best market share<sup>1</sup> performance in history. Still, even in such a difficult year for our industry, with a great need to protect liquidity and postpone investments, we had the courage to go forward with the main technology projects, for we are certain that they will be very important so that we can adapt and be well-positioned when on-premises consumption starts to go back to normal.

In the midst of intense transformations, as mentioned above, we, as one of the leading food retailers in Brazil, concentrated our efforts so that we could significantly advance in key points for the development of our business in the future. We believe in three pillars that will lead us to the leadership of the QSR market in Brazil.

### **Product/brand**

Considering a 10-year horizon, exactly our age as a Company in Brazil, we are very proud of what we have built so far. This was only possible for two essential reasons: the quality of our products and the strength of the brands that we operate.

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<sup>1</sup> Survey released by Crest for 4Q20 (from Oct/01 to Dec/31).

With our active, bold and irreverent communication, we have been able, over the years, to build brand love – which has led us to levels of preference for the Burger King brand never seen in other global markets. 2020 was not different. We continued with the same approach as a brand that embraces diversity and which main goal is to “Welcome everyone”. So, we have launched unprecedented campaigns like “Vassoura Thru” (Broom-Thru), “Fica em casa” (Stay home) and “Natal Antecipado” (Early Christmas). Accordingly, we continue to build a brand that is remembered, loved and respected by our most diverse customers throughout Brazil.

Popeyes, in turn, has surprised us very positively. Still concentrated in São Paulo, we started to see very positive levels of knowledge and acceptance, which encourage us to expand our national reach and accelerate this brand. In February, we opened our first restaurant of the Popeyes brand in the state of Rio de Janeiro.

Following and analyzing global / local trends, we had important portfolio developments. In addition to the launch of the Rebel Whopper - we were the first chain to launch a plant-based product in Brazil, at the end of 2019 - we continued to innovate in 2020 through the iconic “The Sandwich” and we made the important move to eliminate any artificial ingredient, such as preservatives and dyes, of our products. Starting with our “flagship”, Whopper. This is a desire of our consumers when we evaluate the FGAF factor (Feel good about the food), which will certainly help us break paradigms and increase frequency in our business. For this reason, we intend to expand this movement to our entire portfolio by the end of 2021.

### **Technology/experience**

“Digital transformation” in fundamentally “physical” business has become the most common expression over the past year, but only those who are actually going through one know how complex this process can be. As opposed to an intuitive process, this transformation is slow and demands significant investments in structure, data architecture, talents, software and products. Here at BK and PLK, we started this journey about 3 years ago and now our development program has started to work. In 2020, we made essential advances that will certainly provide us the ability to generate excellent experiences to our customers and employees, in the best way possible.

In an industry in which heavy users (customers who attend fast food restaurants more than 25x a year) play a key role, we believe that if we can gain the loyalty of these customers through customized interactions, we will obtain an important share in the consumption habits of this population. With this in mind, our restaurants play a key role in acquiring customers because it is through these experiences in restaurants that we will be able to acquire data and build a lasting relationship with them in all fronts. The so called “omnichannel” approach.

To this end, we expanded the digitalization of our customers' experience in a number of ways in 2020. In addition to doubling the availability of self-service totems in our restaurants, generating less friction and more efficiency, we increased the penetration of sales made through mobile, we launched partnerships with new delivery aggregators, including creating our own delivery. We have adopted new means of payment, launched the “Zap do BK” (BK's WhatsApp) and started to use artificial intelligence to improve customer orders and reduce restaurant disruptions. It is through initiatives like these that we believe we will manage, both at the restaurant and BackOffice levels, to improve our customers' experience and achieve our goals.

Finally, possibly the longest and most important of our projects, we performed the roll out of our CRM and recently launched the BK Club – our loyalty program. After nearly 3 years building systems and a data lake with the assistance of the best consulting firms, we launched this important driver of growth. Our learning, with global benchmarks, points to encouraging results as we have an increasingly data-rich model, with our more than 25 million downloads, about 4 million active users per month in December, and more than 8 million users registered in our database, with whom we started to communicate more frequently.

Among all our initiatives, technology was the only one in which we have never stopped investing. We know that challenging moments are also opportunities for acceleration, and it is with that mindset that we move forward.

### **Solid balance sheet**

One of the characteristics that has certainly differentiated us over the last 10 years was the prudence with which we make investment decisions and seek a financial leverage level that we consider appropriate to our business – which, due to its nature, already has a high operating leverage. 2020 was especially challenging in this respect. During the year, we made several decisions to protect the Company's liquidity, efficiently managing our investments and seeking capital when we deemed necessary. As our story says by itself, we strongly believe in the size of the opportunity we have in front of us, and the speed with which we have grown shows our willingness to build a truly huge business. With this in mind and aware of the many opportunities originated by this difficult moment, we have strengthened our capital structure so that, in a year when most entities will still be recovering, we can accelerate our investments and grow again. In addition, we have already renegotiated all our debt commitments with short-term maturities so that we could have the tranquility to navigate through a still challenging time due to the “second wave” impacts, and the expectation over vaccine effectiveness.

And that is how we enter 2021. With the certainty that we will still have a challenging year, but with the conviction that we are well prepared to capture the growth opportunities focused on developing our restaurants and technology.

We would like to end this message with special thanks to our entire team and our shareholders. To our team because they were true heroes, working every day to serve our millions of customers, whether in our restaurants, or from a home office or even a remote office. Our people remain our primary difference and allow us to continue to dream. To our shareholders because, even in such a difficult year, they continued to believe in our ability to operate and in our desire to build a genuine and lasting business.

Thank you and welcome 2021!

## OPERATING PERFORMANCE

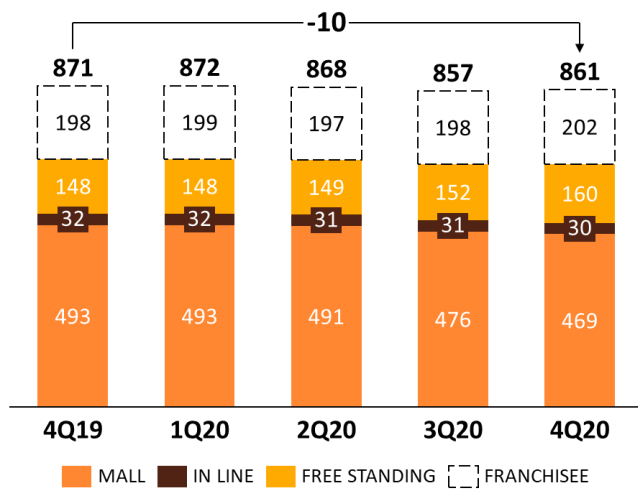
### Restaurant chain

In 2020, the Company had net closure of 7 stores, of which 27 openings and 34 closures.

### BURGER KING® system

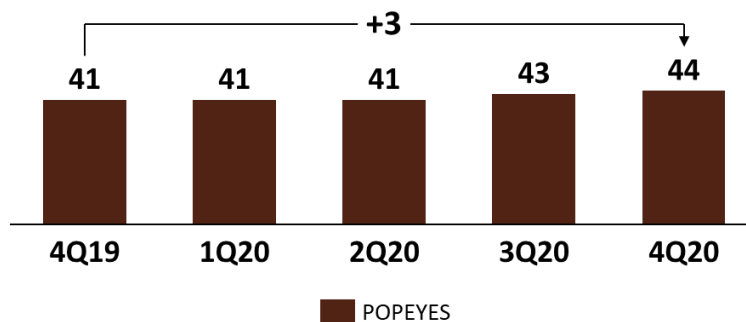
24 Burger King stores were opened (17 own stores and 7 franchises). There were 34 closures. In addition, 2 sales from Burger King stores (from own to franchisee) and 1 acquisition (from franchisee to own) were carried out.

With this, BURGER KING® ended the year with a total of 861 restaurants operating across the country, a net closure of 10 restaurants in the last 12 months.



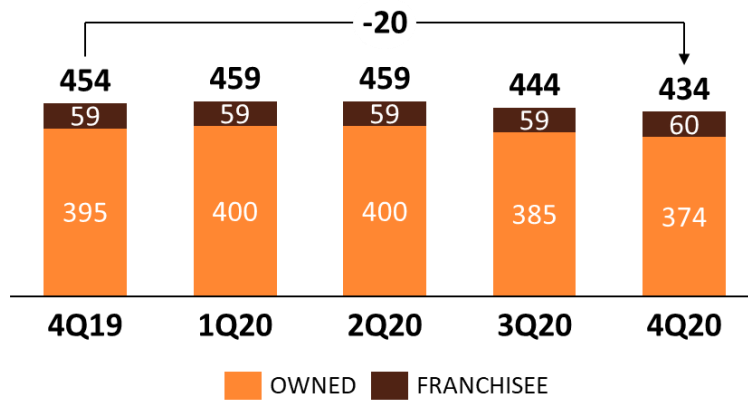
### POPEYES® system

The POPEYES® system opened 3 restaurants in the Food Court format, ending the year with 44 units, all of which are owned and located in the state of São Paulo.



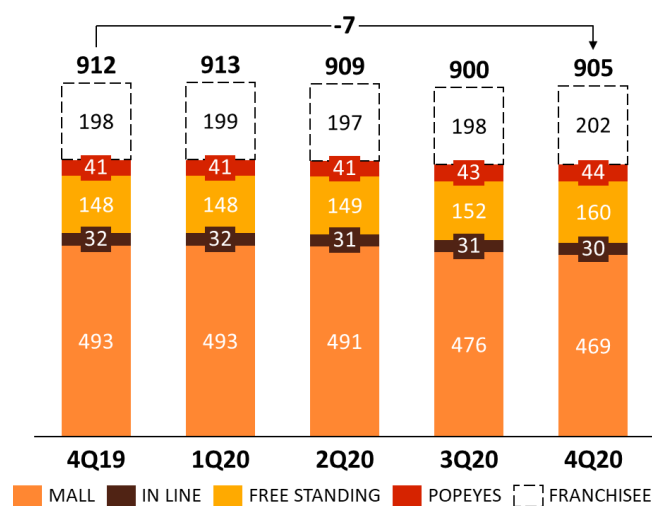
### BURGER KING® dessert centers

In addition to the 861 restaurants, the BURGER KING® system ended the year with 434 dessert centers, with 20 closures when compared to 2019.



### Total restaurant chain

Therefore, the Company ended the year with a total of 905 restaurants, of which 703 are company-owned BURGER KING® and POPEYES® restaurants and 202 are BURGER KING® franchised restaurants. It is important to stress that once again we maintained a close and aligned management with our franchisees in order to continue building a lasting relationship in a good business.



# FINANCIAL PERFORMANCE

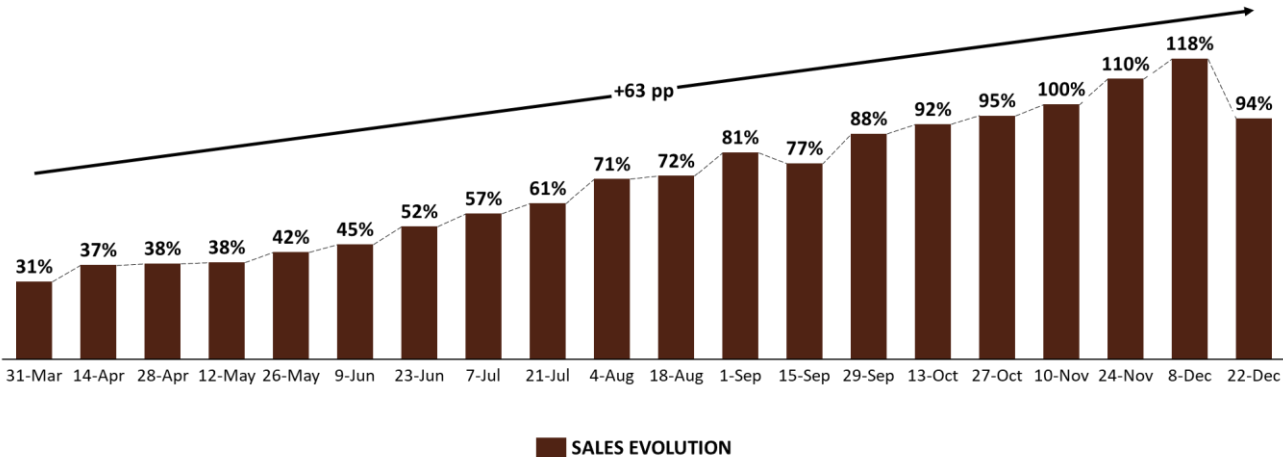
## Net operating revenue

In 2020, the Company's operating revenue reached R\$ 2,238.1 million, a drop of 22.0% when compared to the same period of the previous year, influenced by the effects of the pandemic that culminated in the closing of our stores due to restrictive measures, from the second half of March on. As of the second half of the year, above all, we began to see a recovery in sales influenced by the gradual resumption of the opening of restaurants with the easing of restrictive measures that contributed to traffic resumption.

We highlight the performance of the Free Standing stores that showed the resilience of their model, managing to maintain growth trajectory in the year. The versatility of this format, which allows us to deliver a more complete digital experience, gives us flexibility in terms of managing different channels and allows us to adapt the layout for growth of drive thru and delivery, - it was essential for us to adapt quickly and navigate during the pandemic. If, on the one hand, we observe the excellent performance of Free Standings, on the other hand, our Food Court restaurants, subject to reduced traffic, presented negative SSS levels in the year. The combination of these two main formats led to a result of -12.9% SSS for BKB.

The graph below shows our performance from the beginning of the pandemic to the end of the year. The evolution is referenced in a pre-pandemic period and shows us that after reaching a drop in sales of almost 70%, the recovery of the "V" curve led us to 118% of the reference period in the second week of December. Implicitly, there is a relevant impact of seasonality in the months of November and December, but they clearly show the business recovery trend. With the return of restrictive measures, especially in São Paulo after Natal, in the last week of the year we had a slowdown in sales due to the closing of operations.

EVOLUTION OF SALES DURING PANDEMIA VS THE PRE PERIOD



## Digitalization of Sales

Digital sales, represented by delivery, totem and App (mobile), increased by 188% compared to 2019, reaching record sales R\$ 476.2 million, representing 21.4% of the Company's revenue (versus 5.9 % in 2019).

Highlight of the year, delivery grew by 188% versus 2019, a gain of more than 1270 bp. We continue to invest in operational improvements and increase our capillarity with the aggregators Uber Eats, Ifood, Rappi, 99Food and James Delivery, ending 2020 with coverage of more than 540 stores, ensuring fast delivery throughout the national territory.

Our own delivery continues to expand and improve after the launch of its pilot in the second quarter, with a platform that currently covers about 100 stores. We continue to operate only through orders placed through our website and as we complete operational integrations, we will gain scale. For this, our application, which currently has more than 25 million downloads and more than 8 million complete registrations, has a fundamental role, as it will help us to gain scale quickly and also feed our data lake with transactional data. Among the functionalities and the new User Experience of our App, we now accept meal vouchers for MO&P (Mobile Order & Pay). Although still not very representative, we believe a lot in our app because it helps us to be more efficient, improving the experience and reducing friction with our customers.

In 4Q20, we rolled out our CRM. This was an important milestone because, after years of investment, we started to interact with our customers in a personalized way and to monitor the conversion of these interactions in our restaurants. As announced by the Company on February 1, 2021, Clube BK, our loyalty program, was launched throughout Brazil, being available to the more than 25 million customers who have already downloaded our application. The program - the first launched among the major fast food chains in Brazil, will allow consumers to accumulate 1 point for every R\$ 1 spent and then exchange points for snacks and desserts. The launch is part of the Company's strategy, started more than 2 years ago, to create an ecosystem capable of unifying the physical and the digital. Given the relevance of heavy users within our industry and global learning, this program will be an important strategic pillar.

Our Ghost Kitchen, which opened in 3Q20, continues to have a higher than planned sales level and we already see improvements in the operational indicators of delivery. In the short term, we will continue to test and learn from the impacts of this new model on our business.

Self-service totems showed sales growth of 225% versus 2019, with a 260 bp gain in representation over total sales, reaching revenue of R\$ 78.7 million. We ended 2020 with about 50% of the BKB store base with installed totems and, considering Popeyes, we ended the year with approximately 400 stores and more than 800 equipment available, bringing efficiency to our operation and less friction for our customers' journey.

Also, WhatsApp as a service channel launched in 3Q20 continues to be tested. The new channel already accepts Mercado Pago and Pix as a payment method, increasing convenience at the time of purchase. In addition, our stores with Wi-Fi already add up to more than 230 units, making our customers' experience even more complete.

### **Cost of goods sold and selling expenses**

The cost of goods sold reached 40.8% of revenue in 2020, an increase of 300 bps versus 2019.

The challenging commodity scenario, especially in protein, contributed to pressure on our cost structure. In addition, brand entry promotions in aggregators in 2020, and the drop in over-the-counter sales that impacted our mix, reducing the incidence of combos with drinks and desserts, negatively impacted the gross margin. Additionally, as a result of the closure of restaurants at the beginning of the pandemic in March, the company had non-recurring impacts with product losses in its restaurants and additional logistical costs for product distribution to restaurants that resumed operations throughout the year.

However, the gradual recovery in sales, especially since the 3Q, supported by the opening of stores and the resumption of shopping malls, has helped us to balance our cost structure and discount platform, both in aggregators, as well as in the drive thru and coupon app. As we managed to progress consistently in the recovery of sales, we did an intense job of passing on prices, so that we could soften the impact for our consumers and, thus, follow the upward sales trajectory. We re-evaluated the sensitivity of each product and category, in order to find the best sales and cost equation so that we could maximize gross profit. The rapid recovery in 4Q sales showed us that consumers have absorbed the adjustments made in 2020 well: on our iconic *King em Dobro* platform, for example, we made two important moves throughout the year. In addition, as the CRM front evolves at the Company, we will reduce exposure to massive discounts to customers, favoring margin gains.

Selling expenses, excluding depreciation and amortization, reached 54.6% of revenue in 2020, an increase of 1150 bps compared to 2019. This increase is mainly explained by the strong operational deleveraging due to the loss of sales as a result of the pandemic throughout the year, growth in delivery sales (take rate), increased marketing expenses and cleaning expenses in restaurants.

However, throughout the year, the Company implemented measures focused on the renegotiation of occupancy expenses and services with third parties, as well as the reduction of personnel costs, such as suspension of experience contracts and anticipation of vacations, with the implementation of MP-936. These measures helped us to have savings throughout the year, in addition to the preservation of jobs, which was essential so that we did not lose knowledge of our operation and could speed up the recovery.

## Total general and administrative expenses

General and administrative expenses, excluding depreciation and amortization, reached 7.1% of revenue in 2020, an increase of 290 bps compared to 2019, due to the operational deleveraging resulting from closed restaurants.

Throughout the year, the Company implemented several measures in G&A, such as reducing the salaries of all employees, freezing new positions, adjusting staff in some areas and strict control of discretionary expenses in order to balance the increase caused by operational deleveraging fruit of the pandemic. Still, with the recovery of the operational indicators in the 4Q and the proximity of 2021, the Company chose to anticipate some important movements in relation to its technology structure, including services provided by consulting and software development that will help us during the next year.

## Adjusted EBITDA

Year-to-date, adjusted EBITDA reached R\$ -17.5 million, down 103.8% with an adjusted EBITDA margin of -0.8% versus 16.2% in 12M19. This result is explained by the operational deleveraging generated by the negative SSS for the year, growth in sales via delivery, which resulted in a significant margin compression when compared to 2019, and by the cost of goods sold growth due to the inflationary scenario.

EBITDA - R\$ MILLION	2020	2019	VAR %
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(445.6)</b>	<b>48.5</b>	<b>-1018.8%</b>
(+) FINANCIAL INCOME (LOSS)	44.3	70.7	-37.3%
(+) DEPRECIATION AND AMORTIZATION	332.1	303.2	9.5%
(+/-) INCOME TAX AND SOCIAL CONTRIBUTION	14.2	5.2	173.1%
<b>EBITDA</b>	<b>(55.1)</b>	<b>427.6</b>	<b>-112.9%</b>
<i>EBITDA MARGIN</i>	<i>-2.5%</i>	<i>14.9%</i>	<i>-1740bps</i>
(+) OTHERS EXPENSES	21.7	12.3	76.4%
(+) COST OF STOCK OPTION PLAN	9.8	4.3	127.9%
(+) MERGE AND ACQUISITION EXPENSES	0.2	3.1	-93.5%
(+) PRE-OPERATING EXPENSES	5.9	18.1	-67.4%
<b>ADJUSTED EBITDA</b>	<b>(17.5)</b>	<b>465.4</b>	<b>-103.8%</b>
<i>ADJUSTED EBITDA MARGIN</i>	<i>-0.8%</i>	<i>16.2%</i>	<i>-1700bps</i>

## Net income (loss)

In 2020, the net loss was R\$ 445.6 million versus a net profit of R\$ 48.5 million in 2019. This result was mostly impacted by the operational activity that was very compromised during the year due to the pandemic.

Considering the market uncertainties, mainly those resulting from the problems generated by the pandemic, and its reflexes in the future projections of taxable profits of the Company, the Management chose not to recognize the deferred taxes on the tax loss and negative basis of CSLL, until there is a more probable scenario of realization of these tax credits, in light of accounting pronouncements - CPC 32 / IAS 12.

## RELATIONSHIP WITH INDEPENDENT AUDITORS

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In compliance with CVM Instruction No. 381/2003 and Circular Letter SNC / SEP No. 01/2007, the Company informs that until September 30, 2020, the independent auditors (ERNST & YOUNG Auditores Independentes SS (EY)) in addition to the external audit services, services were contracted to review tax credits, social security credits and the issuance of the comfort letter in the scope of the follow-on in the amount equivalent to 154% of the audit fees of the financial statements.

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.

Board of Executive Officers

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São Paulo Corporate Towers  
Av. Presidente Juscelino Kubitschek, 1.909  
Vila Nova Conceição  
04543-011 - São Paulo - SP - Brasil

Tel: +55 11 2573-3000  
ey.com.br

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

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## **Independent auditor's report on individual and consolidated financial statements**

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

### **Opinion**

We have audited the individual and consolidated financial statements of BK Brasil Operação e Assessoria a Restaurantes S.A. ("Company"), identified as "Parent company" and "Consolidated", respectively, which comprise the statement of financial position as of December 31, 2020, and the statements of profit and loss, of comprehensive income (loss), of changes in equity and cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of BK Brasil Operação e Assessoria a Restaurantes S.A. as of December 31, 2020, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

### **Basis for opinion**

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



## **Key audit matters**

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

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

### **• Goodwill impairment test**

On December 31, 2020, as explained in Note 11, goodwill, generated in business combinations that occurred until then, totaled R\$572,199 thousand, in the Parent Company and in the Consolidated, representing 14.5% of total assets, on that date. At least once a year, the Company performs the impairment test based on estimates of future profitability based on the business plans and annual budget, adopted by Management. The methodology and modeling used to determine the recoverable value of this asset, which were based on the Company's discounted cash flow, an estimate for which subjective assumptions were used by Management that involve a reasonable degree of judgment, information and expected market and economic conditions, mainly in terms of sales and costs growth, discount rates and country risk.

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



*How our audit conducted this matter:*

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

Additionally, we compared the recoverable amount determined by the Company's Management, based on the discounted cash flow, with the book value of the goodwill and assets of the cash generating unit, and evaluated the adequacy of the disclosures in Note 11 to the financial statements as of December 31, 2020.

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 11, are acceptable in the context of the financial statements taken as a whole.

• **Property and equipment impairment test**

According to Note 10, as of December 31, 2020, the balance of property and equipment, net, totaled R\$1,195,664 thousand, in the Parent Company and in the Consolidated, representing 30.4% of total assets. The Company, periodically, evaluates the recoverable value of the property and equipment allocated to the restaurants, based on estimates of the future cash generation of each restaurant, for decision on whether to recognize a provision or not, and, consequently, to decide whether or not to continue restaurants operations that are not performing as expected and estimated. The methodology and modeling used to calculate the recoverable value of these assets were based on the discounted cash flow of each restaurant, an estimate for which subjective assumptions were used by Management, which involve a reasonable degree of judgment, information and expected market and economic conditions, mainly in terms of sales and cost growth, restaurant performance evaluations and discount rates.

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

*How our audit conducted this matter:*

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

Additionally, we compared the recoverable amount determined by the Company's Management, based on the discounted cash flow of each restaurant, with the book value of property and equipment and evaluated the adequacy of the disclosures in Note 10 to the financial statements as of December 31, 2020.

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 10, are acceptable in the context of the financial statements taken as a whole.

• **Deferred tax assets impairment test**

As described in Note 29, the Company has R\$164,351 thousand, in the Parent Company and in the Consolidated, corresponding to deferred tax credits arising from temporary differences, whose recognition and recoverability are based on a study prepared internally by the Management, about the generation of future taxable income. The preparation of such a study requires significant judgment in determining the projection of future taxable income.

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

*How our audit conducted this matter:*

Our auditing procedures included, but were not limited to, the use of specialized tax professionals to analyze the tax bases according to current tax legislation. Additionally, we performed analysis and evaluation of the assumptions and methodology used by Management in the projections of future taxable income, such as changes in sales and costs, temporary differences liabilities, taxable income, tax rates, arithmetic calculations, as well as comparing certain projection data, when available, with other external sources and alignment of these premises with the business plans approved by the Company's competent bodies. We compare the assertiveness of projections made in previous periods in relation to the performance achieved by the Company. Additionally, we have analyzed the adequacy of the disclosures made in Note 29 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 29, are acceptable, in the context of the individual and consolidated financial statements taken as a whole.

• **Leases**

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

At December 31, 2020, as mentioned in Notes 3, 11 and 14, balances referring to the right-of-use asset and lease liability totaled R\$732,308 thousand and R\$791,331 thousand, respectively, accounting for 18,6% of total assets and 37,8% of total current and non-current liabilities, respectively. In addition, for the year then ended, right-of-use asset amortization amounts and the financial costs, net of indirect taxes, amounted to R\$121,992 thousand and R\$68,213 thousand, respectively, and the lease liability of principal paid amounted to R\$116,372 thousand.

This matter was considered significant for our audit: i) due to the relevance of amounts involved; ii) because the assessment involves significant judgments in determining the assumptions and estimates used to determine the right-of-use asset and lease liabilities; and, iii) given the potential impacts on the indicators used to analyze compliance with covenants on loans and financing.

*How our audit has addressed this matter:*

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

Based on the result of the audit procedures carried out, we consider that the Company's lease recognition policies, as well as the respective disclosures in Notes 3, 11 and 14, are acceptable, in the context of the overall individual and consolidated financial statements.

## **Other matters**

### *Statements of value added*

The individual and consolidated statements of value added (SVA) for year ended December 31, 2020, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.



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

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

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

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

## **Responsibilities of management and those charged with governance for the individual and consolidated financial statements**

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

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

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

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

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

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

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

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



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

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

São Paulo, February 25, 2021.

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.

As at December 31, 2020 and 2019

(In thousands of reais)



## Statements of financial position

	Notes	Parent company		Consolidated	
		2020	2019	2020	2019
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	4	219,669	325,276	219,670	325,277
Marketable securities	5	575,818	265,622	575,843	265,683
Restricted marketable securities	5	25,306	13,133	25,306	13,133
Trade receivables, net	6	107,188	60,361	107,188	60,361
Inventories	7	125,612	99,041	125,612	99,041
Taxes recoverable	8	37,116	27,558	37,116	27,558
Advances paid	9	3,695	46,115	3,695	46,115
Other receivables		24,669	25,211	24,669	25,210
<b>Total current assets</b>		<b>1,119,073</b>	<b>862,317</b>	<b>1,119,099</b>	<b>862,378</b>
<b>Non-current assets</b>					
Restricted marketable securities	5	-	1,366	-	1,366
Taxes recoverable	8	97,233	73,120	97,233	73,120
Judicial deposits	19	38,000	33,434	38,000	33,434
Other receivables		9,548	4,464	9,548	4,464
Property and equipment, net	10	1,195,664	1,163,578	1,195,664	1,163,578
Intangible assets, net	11	1,473,211	1,389,720	1,473,211	1,389,720
<b>Total non-current assets</b>		<b>2,813,656</b>	<b>2,665,682</b>	<b>2,813,656</b>	<b>2,665,682</b>
<b>Total assets</b>		<b>3,932,729</b>	<b>3,527,999</b>	<b>3,932,755</b>	<b>3,528,060</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Loans and financings	12	53,612	116,556	53,612	116,556
Trade payables	13	217,616	286,432	217,616	286,432
Lease liabilities	14	126,941	99,156	126,941	99,156
Payroll and social charges		86,147	96,637	86,147	96,637
Corporate payables	15	15,824	23,760	15,824	23,760
Taxes payable	16	31,561	25,150	31,561	25,150
Deferred revenue, net	17	11,857	9,139	11,857	9,139
Interest on capital payable		-	10,054	-	10,054
Other payables	18	20,947	4,622	20,973	4,683
<b>Total current liabilities</b>		<b>564,504</b>	<b>671,506</b>	<b>564,531</b>	<b>671,567</b>
<b>Non-current liabilities</b>					
Loans and financings	12	777,164	403,314	777,164	403,314
Provision for legal claims	19	23,163	16,275	23,163	16,275
Taxes payable	16	10,780	12,605	10,780	12,605
Deferred revenue, net	17	14,764	17,928	14,764	17,928
Lease liabilities	14	664,390	594,053	664,390	594,053
Deferred taxes	29	22,643	8,452	22,643	8,452
Other payables	18	16,861	17,237	16,861	17,237
<b>Total non-current liabilities</b>		<b>1,529,765</b>	<b>1,069,864</b>	<b>1,529,765</b>	<b>1,069,864</b>
<b>Equity</b>					
Capital	21	1,461,068	950,768	1,461,068	950,768
Profit reserves		-	134,641	-	134,641
Capital reserve and stock option plan		712,271	725,417	712,271	725,417
Treasury shares		(24,214)	(24,214)	(24,214)	(24,214)
Other comprehensive income		300	17	300	17
Accumulated losses		(310,966)	-	(310,966)	-
<b>Total equity</b>		<b>1,838,459</b>	<b>1,786,629</b>	<b>1,838,459</b>	<b>1,786,629</b>
<b>Total liabilities and equity</b>		<b>3,932,729</b>	<b>3,527,999</b>	<b>3,932,755</b>	<b>3,528,060</b>

See accompanying notes.

# BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2020 and 2019

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



## Statements of profit and loss

	Notes	Parent company		Consolidated	
		2020	2019	2020	2019
Net operating revenue	23	2,238,127	2,867,990	2,238,127	2,867,990
Cost of goods and products sold	24	(913,957)	(1,082,140)	(913,957)	(1,082,869)
<b>Gross profit</b>		<b>1,324,170</b>	<b>1,785,850</b>	<b>1,324,170</b>	<b>1,785,121</b>
Operating expenses					
Expenses with stores	25	(1,531,876)	(1,513,742)	(1,531,876)	(1,518,274)
General and administrative expenses	26	(179,204)	(141,965)	(179,459)	(142,417)
Equity pickup		-	(6,835)	-	-
<b>Profit (loss) before financial income (expenses) and taxes</b>		<b>(386,910)</b>	<b>123,308</b>	<b>(387,165)</b>	<b>124,430</b>
Financial expenses	27	(114,675)	(92,293)	(114,675)	(93,281)
Financial income	28	70,169	22,222	70,424	22,617
<b>Financial income (expenses), net</b>		<b>(44,506)</b>	<b>(70,071)</b>	<b>(44,251)</b>	<b>(70,664)</b>
<b>Profit (loss) before income tax and social contribution</b>		<b>(431,416)</b>	<b>53,237</b>	<b>(431,416)</b>	<b>53,766</b>
Income tax and social contribution	29	(14,191)	(4,694)	(14,191)	(5,223)
<b>Profit (loss) for the year</b>		<b>(445,607)</b>	<b>48,543</b>	<b>(445,607)</b>	<b>48,543</b>
Basic earnings (loss) per share	22	(1.9161)	0.21420	(1.9161)	0.21420
Diluted earnings (loss) per share	22	(1.9161)	0.21393	(1.9161)	0.21393

See accompanying notes.

## BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2020 and 2019

(In thousands of reais)



### Statements of comprehensive income (loss)

	Parent company and Consolidated	
	2020	2019
Profit (loss) for the year	(445,607)	48,543
Other comprehensive income	283	19
<b>Total</b>	<b>(445,324)</b>	<b>48,562</b>

See accompanying notes.

# BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2020 and 2019

(In thousands of reais)



## Statements of changes in equity

Description	Notes	Capital reserves							Retained earnings (accumulated losses)	Total equity
		Capital	Capital reserve (share premium)	Share issue cost	Stock option plan	Repurchase of shares	Profit reserves	Other comprehensive income		
<b>As at December 31, 2018</b>		<b>898,233</b>	<b>786,459</b>	<b>(75,665)</b>	<b>10,308</b>	<b>-</b>	<b>97,627</b>	<b>(2)</b>	<b>-</b>	<b>1,716,960</b>
Capital contribution		52,535	-	-	-	-	-	-	-	52,535
Stock option plan	33	-	-	-	4,315	-	-	-	-	4,315
Derivative financial instruments	31	-	-	-	-	-	-	19	-	19
Purchase of treasury shares		-	-	-	-	(24,214)	-	-	-	(24,214)
Profit (loss) for the year		-	-	-	-	-	-	-	48,543	48,543
Allocation of profit (loss) for the year		-	-	-	-	-	-	-	-	-
Legal reserve	21	-	-	-	-	-	2,427	-	(2,427)	-
Profit reserve	21	-	-	-	-	-	34,587	-	(34,587)	-
Interest on capital	21	-	-	-	-	-	-	-	(11,529)	(11,529)
<b>As at December 31, 2019</b>		<b>950,768</b>	<b>786,459</b>	<b>(75,665)</b>	<b>14,623</b>	<b>(24,214)</b>	<b>134,641</b>	<b>17</b>	<b>-</b>	<b>1,786,629</b>
Capital contribution	21	510,300	-	-	-	-	-	-	-	510,300
Share issue cost		-	-	(22,970)	-	-	-	-	-	(22,970)
Stock option plan	33	-	-	-	9,824	-	-	-	-	9,824
Derivative financial instruments	31	-	-	-	-	-	-	283	-	283
Profit (loss) for the year		-	-	-	-	-	-	-	(445,607)	(445,607)
Absorption of profit reserves	21	-	-	-	-	-	(134,641)	-	(134,641)	-
<b>As at December 31, 2020</b>		<b>1,461,068</b>	<b>786,459</b>	<b>(98,635)</b>	<b>24,447</b>	<b>(24,214)</b>	<b>-</b>	<b>300</b>	<b>(310,966)</b>	<b>1,838,459</b>

See accompanying notes.

# BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2020 and 2019

(In thousands of reais)



## Statements of cash flows – indirect method

	Parent company		Consolidated	
	2020	2019	2020	2019
<b>Cash flows from operating activities</b>				
<b>Profit (loss) before income tax and social contribution</b>	<b>(431,416)</b>	53,237	<b>(431,416)</b>	53,766
Depreciation and amortization of property and equipment and intangible assets (Notes 10, 11, 25 and 26)	210,090	191,487	210,090	195,880
Amortization of lease (Note 3)	121,992	107,301	121,992	107,301
Provision for bonuses	19,418	25,175	19,418	25,175
Equity pickup	-	6,835	-	-
Interest, charges, exchange variation, monetary variation and APV on lease liabilities	52,220	69,700	52,220	69,700
Provision for legal claims (Note 19)	25,464	15,038	25,464	15,038
Gain (loss) on disposal of property and equipment and intangible assets (Notes 10, 11 and 26)	27,779	21,496	27,779	22,368
Stock options cost (Notes 26 and 33)	9,824	4,315	9,824	4,315
Provision (reversal) for impairment (Notes 10 and 26)	(2,246)	2,807	(2,246)	2,807
	<b>33,125</b>	<b>497,391</b>	<b>33,125</b>	<b>496,350</b>
<b>Changes in assets and liabilities</b>				
Trade receivables, net	(46,827)	(832)	(46,827)	(758)
Inventories	(26,571)	(17,765)	(26,571)	(17,765)
Taxes recoverable	(33,671)	(44,726)	(33,671)	(44,734)
Advances paid	42,420	(19,497)	42,420	(19,493)
Derivative financial instruments	-	90	-	90
Receivables from related parties	-	3,753	-	-
Other receivables	(9,109)	(4,933)	(9,109)	(5,512)
Trade payables	(68,816)	45,676	(68,816)	45,189
Payroll and social charges	(29,908)	(23,158)	(29,908)	(23,701)
Corporate payables	(7,936)	5,799	(7,936)	5,799
Taxes payable	4,586	(22,736)	4,586	(23,016)
Income tax and social contribution paid	-	(5,237)	-	(5,237)
Deferred revenue, net	(446)	(8,420)	(446)	(8,420)
Payables to related parties	-	48	-	-
Derivative financial instruments	-	19	-	19
Legal claims (Note 19)	(18,576)	(9,378)	(18,576)	(9,493)
Other payables	16,008	(10,277)	15,972	(10,522)
Payment of interest on borrowings	(26,536)	(8,084)	(26,536)	(8,084)
<b>Net cash generated by (used in) operating activities</b>	<b>(172,257)</b>	<b>377,733</b>	<b>(172,293)</b>	<b>370,712</b>
<b>Cash flows from investing activities</b>				
Advance for future capital increase in subsidiary	-	(457)	-	-
Purchases of property and equipment (Note 10)	(237,641)	(425,867)	(237,641)	(425,967)
Purchases of intangible assets (Note 11)	(42,237)	(47,600)	(42,237)	(47,600)
Cash from merger	-	28	-	-
Investment in marketable securities	(1,130,823)	(568,512)	(1,130,787)	(569,778)
Redemption of marketable securities	820,835	730,285	820,835	730,243
<b>Net cash used in investing activities</b>	<b>(589,866)</b>	<b>(312,123)</b>	<b>(589,830)</b>	<b>(313,102)</b>
<b>Cash flows from financing activities</b>				
Paid-in capital	510,300	52,535	510,300	52,535
Interest on capital paid	(10,054)	(26,726)	(10,054)	(26,726)
Share issue costs	(22,970)	-	(22,970)	-
Purchase of Treasury shares	-	(24,214)	-	(24,214)
Loans and financings raised	420,000	400,000	420,000	400,000
Borrowing costs	(1,153)	(2,248)	(1,153)	(2,248)
Payment of loans and financings (principal)	(123,235)	(169,474)	(123,235)	(169,474)
Payment of lease liabilities (Note 3)	(116,372)	(137,169)	(116,372)	(137,169)
<b>Net cash generated by financing activities</b>	<b>656,516</b>	<b>92,704</b>	<b>656,516</b>	<b>92,704</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(105,607)</b>	<b>158,314</b>	<b>(105,607)</b>	<b>150,314</b>
<b>Cash and cash equivalents:</b>				
Cash and cash equivalents at the end of the year (Note 4)	219,669	325,276	219,670	325,277
Cash and cash equivalents at the beginning of the year (Note 4)	325,276	166,962	325,277	174,963
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(105,607)</b>	<b>158,314</b>	<b>(105,607)</b>	<b>150,314</b>

See accompanying notes.

# BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2020 and 2019

(In thousands of reais)



## Statements of value added

	Parent company		Consolidated	
	2020	2019	2020	2019
<b>Revenues</b>	<b>2,491,280</b>	3,142,866	<b>2,491,280</b>	3,142,866
Gross sales of goods and services	2,462,425	3,099,265	2,462,425	3,099,265
Discounts and cancellations	(646)	(735)	(646)	(735)
Other revenues	29,501	44,336	29,501	44,336
<b>Inputs purchased from third parties</b>	<b>(1,675,198)</b>	(1,813,828)	<b>(1,675,453)</b>	(1,815,097)
Cost of sales and services	(913,957)	(1,082,140)	(913,957)	(1,082,869)
Materials, electric power, outside services and other expenses	(734,764)	(707,019)	(734,764)	(706,896)
Impairment of assets	(25,533)	(24,303)	(25,533)	(25,175)
Other costs	(944)	(366)	(1,199)	(157)
<b>Gross value added</b>	<b>816,082</b>	1,329,038	<b>815,827</b>	1,327,769
<b>Retentions</b>	<b>(332,082)</b>	(298,788)	<b>(332,082)</b>	(303,181)
Depreciation and amortization	(332,082)	(298,788)	(332,082)	(303,181)
<b>Wealth created by the Company</b>	<b>484,000</b>	1,030,250	<b>483,745</b>	1,024,588
<b>Wealth received in transfer</b>	<b>71,289</b>	16,472	<b>71,544</b>	23,709
Equity pickup	-	(6,835)	-	-
Financial income	71,289	23,307	71,544	23,709
<b>Total wealth for distribution</b>	<b>555,289</b>	<b>1,046,722</b>	<b>555,289</b>	<b>1,048,297</b>
<b>Wealth distributed</b>	<b>555,289</b>	<b>1,046,722</b>	<b>555,289</b>	<b>1,048,297</b>
<b>Personnel expenses</b>	<b>514,929</b>	507,752	<b>514,929</b>	507,752
Salaries and wages and benefits	489,262	478,319	489,262	478,319
FGTS (Severance Pay Fund)	25,667	29,433	25,667	29,433
<b>Taxes, fees and contributions</b>	<b>311,708</b>	331,929	<b>311,708</b>	332,483
Federal	224,017	237,915	224,017	238,469
State	71,937	77,918	71,937	77,918
Municipal	15,754	16,096	15,754	16,096
<b>Lenders and lessors</b>	<b>174,259</b>	158,498	<b>174,259</b>	159,519
Financial cost, net	114,133	91,639	114,133	92,612
Rentals	60,126	66,859	60,126	66,907
<b>Interest on capital</b>	<b>(445,607)</b>	48,543	<b>(445,607)</b>	48,543
Dividends and interest on capital	-	11,529	-	11,529
Profit (loss) for the year	(445,607)	37,014	(445,607)	37,014

See accompanying notes.

## 1. Operations

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

### a) Burger King Operation

The right to operate the “Burger King” restaurants was obtained through a “Master Franchise” agreement entered into with Burger King Corporation (“BKC”) on July 9, 2011. The restaurant operation rights have a term of twenty years, renewable for additional same twenty years, if the parties intend to (Note 20).

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

#### 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 monthly net revenue;
- Marketing fund of 5% of monthly net revenue.

## BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2020 and 2019

Notes to the financial statements (In thousands of reais)



### 1. Operations--Continued

#### a) Burger King Operation--Continued

As at December 31, 2020 and 2019, the Company had 659 and 673 company-owned stores, of which:

	<b>2020</b>	<b>2019</b>
State of Alagoas	4	4
State of Bahia	13	12
State of Ceará	14	15
Federal District	10	10
State of Espírito Santo	12	11
State of Goiás	22	23
State of Maranhão	5	5
State of Mato Grosso	5	5
State of Mato Grosso do Sul	4	3
State of Minas Gerais	48	51
State of Pará	7	7
State of Paraíba	5	5
State of Pernambuco	15	15
State of Piauí	2	2
State of Paraná	40	40
State of Rio de Janeiro	96	97
State of Rio Grande do Norte	3	3
State of Rio Grande do Sul	38	38
State of Santa Catarina	4	3
State of Sergipe	6	6
State of São Paulo	306	318
<b>Total Stores</b>	<b>659</b>	<b>673</b>

#### b) Popeyes Operation

In line with its expansion plan, the Company and Popeyes Louisiana Kitchen, Inc. ("PLK") announced, on March 20, 2018, "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.

The agreements establish annual targets aimed at a gradual acceleration of growth of company-owned restaurants and/or franchises, among them the opening of more than 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, 2020, the Company had forty-four (44) opened stores (forty-one (41) opened stores as at December 31, 2019), all in the state of São Paulo.

## 2. Accounting policies

The Company's financial statements were approved by the Board of Directors on February 25, 2021.

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, 2020 and applicable to the comparative information as of December 31, 2019.

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

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

The Company has adopted all standards, revisions of standards and interpretations issued by IASB and CPC, that were effective at December 31, 2020.

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

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

## **2. Accounting policies--Continued**

### COVID-19 Pandemic effects

CIRCULAR-OFÍCIO/CVM/SNC/SEP/No. 02/2020 issued by CVM on March 10, 2020 discusses the potential effects that the pandemic caused by the Coronavirus (COVID-19) may have on the Companies business and their effects on the financial statements. It also highlights the importance of the Companies and their Independent Auditors to thoroughly assess the potential impacts of COVID-19 on their business and the risks and uncertainties to which they are exposed.

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

Considering the current information and the data available for this report regarding the potential impacts of COVID-19 pandemic on its activities, the Company recorded during this period the loss of perishable items that are not expected to be used due to their expiry dates, in addition to the strong impact of fixed costs of restaurants that remained closed due to the restrictive measures imposed by Governments. When analyzing the projections of results and cash consumption in the current scenario, the Company has reviewed its analyses in the period after December 31, 2020 and, as a result to date, has identified the need to discontinue the operation of stores that were not expected to recover their results after reopening and has elected to definitely close specific stores for which it had already set up provisions for impairment, in addition to recording provisions for other stores (Note 10). Notwithstanding, the Company has periodically monitored its projections of results and cash generation with the purpose also of complying with the existing covenants (including of financial leverage (Net Debt/Adjusted Ebitda). The Company has already concluded negotiations with its creditors and obtained a waiver for the measurement for the year 2020.

Based on the information currently available, which includes the renegotiation of payment terms with our suppliers (Note 13), the renegotiation of occupancy expenses (Notes 3, 25 and 28) and also borrowings from financial institutions (Note 12.1), in addition to adherence to government programs, reduction of working hours and salaries, measures taken to safeguard the Company's financial health, we have not identified any material adverse effects on our operations which cast doubt on the Company's ability to continue as a going concern and which may significantly impact the accounting estimates applied in the preparation of the individual and consolidated financial statements.

Also as an impact of the pandemic, the previously established schedule for expansion and opening of new stores for the Burger King and Popeyes brands was renegotiated with Restaurant Brands International (RBI), however, without changing the total expansion and opening goals set out in the Master Franchise agreement. The Company informs that it is complying with the new terms of the master franchise agreements signed, in particular regarding the terms for opening new stores.

## **2. Accounting policies--Continued**

### COVID-19 Pandemic effects--Continued

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

### Estimates

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 the private equity fund XPA-BK (Note 5).

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

#### **2.2. Business combination**

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

## **2. Accounting policies--Continued**

### **2.2. Business combination--Continued**

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

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

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

Initially goodwill is measured as the excess of the consideration transferred in relation to the net assets acquired. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized as a gain in the statement of profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree being assigned to those units.

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

### **2.3. Functional and presentation currency**

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

## **2. Accounting policies--Continued**

### **2.4. Transactions in foreign currencies**

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

### **2.5. Revenue recognition**

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

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

#### Sale of products

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

#### Rendering of services

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

#### Investment income

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

## **2. Accounting policies--Continued**

### **2.6. Taxes**

#### Income tax and social contribution - current

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

- (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 losses); and

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.

## **2. Accounting policies--Continued**

### **2.6. Taxes--Continued**

#### Deferred taxes--Continued

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, 2020 and 2019 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.

#### Indirect taxes (PIS, COFINS, ICMS)

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

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

### **2.7. Financial instruments - Initial recognition and subsequent measurement**

The Company adopted the CPC 48/NBC TG 48/IFRS 9 Financial Instruments in replacement of CPC38 (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 on the financial statements:

## **2. Accounting policies--Continued**

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

#### Classification of financial assets

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

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

#### Hedge accounting

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

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

#### Impairment of financial assets

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

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

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

## **2. Accounting policies--Continued**

### **2.8. Derivative financial instruments**

As of December 31, 2020 and 2019, the Company used derivative financial instruments, such as interest rate swaps and Non-Deliverable Forward (NDF), to hedge against the risk of fluctuations in exchange rates.

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

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

### **2.9. Investments (Company)**

The equity interests directly held by the Company in subsidiaries were accounted for under the equity method of accounting.

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

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

### **2.10. Property and equipment**

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

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

## **2. Accounting policies--Continued**

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

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

The asset's residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted prospectively, if appropriate. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets, as mentioned in Note 11.

### **2.11. Intangible assets**

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

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

#### Brands, real property rights and licenses

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

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

## **2. Accounting policies--Continued**

### **2.11. Intangible assets--Continued**

#### Brands, real property rights and licenses--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 11.

### **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.

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

#### Goodwill

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

## **2. Accounting policies--Continued**

### **2.13. Impairment of non-financial assets--Continued**

#### Intangible assets

The amortization period and method for an intangible asset with finite useful life are reviewed at the end of each reporting period, whenever there is indication of impairment, changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are recognized through changes in the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss in the expense category that is consistent with the function of the intangible assets (Note 11). 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, 2020 and 2019, there were indicators of impairment, but there was no change in the useful life from indefinite to finite and after the analyses, projections and judgments made by Management, no need for provision for impairment was identified.

### **2.14. 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.

### **2.15. Marketable securities and Restricted marketable securities**

Marketable securities are measured based on their yield and are recognized in the statement of profit and loss when incurred, not presenting material differences in relation to their fair values. Therefore, there was no fair value adjustment in equity account as of December 31, 2020 and 2019.

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

### **2.16. Deferred revenue, net**

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

## **2. Accounting policies--Continued**

### **2.17. Agreement with suppliers**

The Company has financial liabilities with suppliers through financial institutions, whose maturities were extended, or suppliers received in advance during the year ended December 31, 2020. 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 13).

### **2.18. Provisions**

#### General

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

Provision for tax, civil and labor risks

The Company is a party to lawsuits and administrative proceedings. Provisions are recognized for all contingencies related to lawsuits for which it is probable that an outflow of resources will be made to settle the contingency/obligation and a reasonable estimate can be made. The assessment of the likelihood of loss includes the assessment of available evidence, hierarchy of laws, available case laws, recent court decisions and their relevance in the legal system, as well as the assessment made by outside attorneys. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable statute of limitations, completion of tax audits or additional exposures identified based on new matters or court decisions. The other estimates and provisions can be seen in the Notes 2.7; 2.10; 2.11; 2.13; and 2.21.

### **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)/NBC TG 03 (R3)/IAS 7 - Statement of Cash Flows. The statement of value added was prepared in accordance with CPC 09/NBC TG 09 - Statement of Value Added and is presented as supplementary information for IFRS purposes.

## **2. Accounting policies--Continued**

### **2.20. Earnings per share**

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

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

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

### **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 assets or market prices less incremental costs to dispose of the asset. The value in use calculation is based on the discounted cash flow model. Cash flows derive from the budget for the next five years and do not include reorganization activities to which the Company has not yet committed 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 11.

#### 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.

## **2. Accounting policies--Continued**

### **2.21. Significant accounting estimates and assumptions--Continued**

#### Taxes--Continued

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

#### Fair value of financial instruments

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

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

#### 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. 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 goals and on goals of the Company as a whole. Due to the COVID-19 pandemic, during the year the market in general reviewed these goals, adjusting them to the new market circumstances. The Company also established new goals and various actions that were implemented. In 2020, these goals were achieved by the Company and its employees, therefore, the profit sharing that was accrued for the year 2020 will be paid in the subsequent year. The amount related to the provision for profit sharing is recorded in line item Payroll and social charges, in the balance sheet.

## **2. Accounting policies--Continued**

### **2.23. 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 5% 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 rate ("TLP"), 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 21). 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 profit and loss (Note 29).

### **2.24. Uncertainty over Income Tax Treatments - ICPC 22/ITG 22/IFRIC 23**

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

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

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

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

In January 2016, IFRS 16 – Leases was issued and in December 2017 CPC 06 (R2)/NBC TG 06 (R3) – Lease Operations was issued, effective from January 1, 2019. The Company adopted CPC 06 (R2)/NBC TG 06 (R3)/IFRS 16 – Leases as from January 1st, 2019 since early adoption is not permitted in Brazil.

IFRS 16/CPC 06 (R2)/NBC TG 06 (R3) introduces a single model to account for leases in the balance sheet of lessee. The lessee recognizes a right-of-use asset that represents its right to use the leased asset and a lease liability that represents its obligation to make lease payments. Exemptions are available for short-term leases and leases of low-value assets.

IFRS 16/ CPC 06(R2)/NBC TG 06 (R3) replaces the existing lease standards, including CPC 06/IAS 17 Lease Operations and ICPC 03/IFRIC 4, SIC 15 and SIC 27 Complementary Aspects of Lease Transactions.

Leases in which Company is a lessee

The Company recognized an asset (“right of use asset”) (Note 11) for its lease agreements related to lease of administrative and operational properties (stores). What was previously treated as rental expense is now recorded as amortization of “rights of use” and interest on rental obligations, disclosed as “Lease Liabilities”. Consequently, EBITDA and operating profit were affected.

Transition

The Company applied CPC 06 (R2)/NBC TG 06 (R3)/IFRS 16, using the modified retrospective approach, which does not require the presentation of information from prior comparative years.

On transition, lease liabilities were measured at the present value of the remaining payments, discounted at the incremental borrowing rate of the lessee (nominal rate).

The lease agreements have an average term of 10 years and the Company made use of late perception, such as when determining the lease term, whether the contract contains options to extend or terminate, among others. The Company has a policy of delaying the perception at least one year before the expiration of the lease.

Actual flows (excluding inflation estimated in 2021 - 5.0%, 2022 - 4.0%, 2023 - 3.0%, after 2023 at 3.0% for the next 7 years) were estimated gross of taxes and right-of-use assets were measured at the value equal to the lease liability at present value. In accordance with CPC 06 (R2) / NBC TG 06 (R3) / IFRS 16, in measuring and remeasuring its lease liabilities and right of use, it used the discounted cash flow technique without considering projected future inflation in the flows to be discounted.

The Company applied the practical expedient regarding the definition of a lease agreement in the transition. This means that it applied CPC 06 (R2)/NBC TG 06 (R3)/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.

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

#### Transition--Continued

The incremental borrowing rate (discount) used to measure the present value of the data was calculated on the projected CDI + spread (nominal rate).

The Company recognized the assets and liabilities for its lease agreements related to the lease of administrative and operational properties, according to the interpretation disclosed by the Brazilian Securities and Exchange Commission (CVM) in Circular Ofício CVM/SNC/SEP 02/2019 on CPC 06 (R2)/NBC TG 06 (R3)/IFRS 16, which impacted mainly the tax matter, due to the gross recognition of taxes. As a result, the balance of Leases payable considers the amount equivalent to approximately 9.25% of PIS / COFINS.

Right-of-use assets	2020	2019
<b>Opening balance (Note 11)</b>	<b>660,986</b>	-
Leases recognized in the transition to CPC 06 (R2) NBC TG 06 (R3)/IFRS 16	-	612,223
Additions and updates of leases recognized in the year (Note 11 (i) and (ii))	<b>205,224</b>	167,001
Amortization of right of use (rental) (Note 11) (ii)	<b>(121,992)</b>	(107,301)
Taxes levied on amortization of leases (Note 11) (ii)	<b>(11,910)</b>	(10,937)
<b>Closing balance (Note 11)</b>	<b>732,308</b>	660,986
<b>Lease liabilities</b>	<b>2020</b>	<b>2019</b>
<b>Opening balance (Note 14)</b>	<b>693,209</b>	-
Leases recognized in the transition to CPC 06 (R2) NBC TG 06 (R3)/IFRS 16	-	859,815
Additions and updates of leases recognized in the year (i) and (ii)	<b>298,930</b>	255,658
Payment of lease liabilities (ii)	<b>(116,372)</b>	(137,169)
Discounts obtained on lease payments (Note 28) (iii)	<b>(47,033)</b>	-
Taxes levied on lease payments (ii)	<b>(16,834)</b>	(13,981)
Adjustment to present value recognized in the transition to CPC 06 (R2)/NBC TG 06 (R3)/IFRS16	-	(247,592)
Additions of adjustment to present value (APV) recognized in the year (i) and (ii)	<b>(93,706)</b>	(88,657)
Write-off of accrued interest APV (ii)	<b>68,213</b>	62,091
Taxes levied on APV of leases (ii)	<b>4,924</b>	3,044
<b>Closing balance (Note 14)</b>	<b>791,331</b>	693,209
Current (Note 14)	<b>126,941</b>	99,156
Non-current (Note 14)	<b>664,390</b>	594,053

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

Income from lease	2020	2019
Expenses on stores - variable rental	(15,862)	(19,066)
Amortization of right of use (rental) (Notes 25 and 26) (ii)	(121,992)	(107,301)
Financial expenses – Accrued interest (APV) (Note 27) (ii)	(68,213)	(62,091)
Lease discounts - COVID-19 (Note 28) (iii)	47,033	-
<b>Closing balance</b>	<b>(159,034)</b>	<b>(188,458)</b>

- (i) The adjustments of financial indexes for Lease Liabilities are recorded according to each agreement, causing impacts in line items APV, Lease liabilities and Right-of-use assets. These adjustments, when recorded, do not impact the profit or loss for the year, only the balance sheet figures.
- (ii) In compliance with CVM *Circular Ofício 02/2019*, the balances in the balance sheet accounts are gross of taxes (Pis and Cofins) while the balances in the statement of profit or loss accounts are net of taxes (Pis and Cofins).
- (iii) Based on the Revision of Technical Pronouncements No.16 issued by CVM on July 7, 2020, which contained amendments to CPC 06 (R2), referring to Benefits Related to COVID-19 Granted to Lessees under Lease Agreements, the Company elected to use the practical expedient of not remeasuring the operating lease agreements since the renegotiations made were in respect of benefits considered related to COVID-19, recognizing such benefits in profit or loss for the year (Note 28).

### 4. Cash and cash equivalents

	Parent company		Consolidated	
	2020	2019	2020	2019
Cash	24,564	28,221	24,564	28,221
Banks	2,965	3,333	2,966	3,334
Financial investments	192,140	293,722	192,140	293,722
<b>Total cash and cash equivalents</b>	<b>219,669</b>	<b>325,276</b>	<b>219,670</b>	<b>325,277</b>

Type of investment	Annual yield	Parent company		Consolidated	
		2020	2019	2020	2019
CDB	100% to 103% of CDI	110,690	100,515	110,690	100,515
Repurchase agreement	55% to 80% of CDI	50,015	166,762	50,015	166,762
Automatic investment	10% to 60% of CDI	31,435	26,445	31,435	26,445
<b>Total financial investments</b>		<b>192,140</b>	<b>293,722</b>	<b>192,140</b>	<b>293,722</b>

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.

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### 5. Marketable securities

Type of investment	Annual yield	Parent company		Consolidated	
		2020	2019	2020	2019
Exclusive investment fund - XPA BK (i)	100% to 126% of CDI or IPCA	122,495	211,852	-	-
Federal Treasury Bills (LFT)	100% to 126% of CDI or IPCA	-	-	44,244	114,643
Investment Funds	IPCA	-	-	41,710	29,621
CDB	100.2% to 113% of CDI	453,323	53,770	453,323	59,750
Investments in debentures	100% to 111% of CDI or IPCA	-	-	7,449	18,209
Financial bills (LF)	100% to 106% of CDI or IPCA	-	-	29,117	42,631
National Treasury Bills (NTN-B)	IPCA	-	-	-	829
Investment Fund and CDB (ii)	99% of CDI	-	1,366	-	1,366
Repurchase agreement (iii)	101.8% of CDI	25,306	13,133	25,306	13,133
<b>Total marketable securities</b>		<b>601,124</b>	<b>280,121</b>	<b>601,149</b>	<b>280,182</b>
Current		<b>601,124</b>	<b>278,755</b>	<b>601,149</b>	<b>278,816</b>
Marketable securities		<b>575,818</b>	<b>265,622</b>	<b>575,843</b>	<b>265,683</b>
Restricted marketable securities		<b>25,306</b>	<b>13,133</b>	<b>25,306</b>	<b>13,133</b>
Non-current		-	1,366	-	1,366

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

(ii) Financial investments pledged as collateral of loans and financings mentioned in Note 12 and their redemption is linked to the maturity of those loans.

(iii) Repurchase agreements (restricted account) pledged as collateral for loans (Note 12.1 (i)).

### 6. Trade receivables, net

	Parent company and Consolidated	
	2020	2019
Sales transactions	71,760	47,229
Sales transactions - <i>Delivery</i>	27,070	6,778
Service rendered with franchisees	5,536	3,883
Services rendered with related parties	645	438
Other receivables	2,177	2,033
<b>Total trade receivables</b>	<b>107,188</b>	<b>60,361</b>

As mentioned in Note 12, part of the inflows of receivables with credit cards and meal vouchers is pledged as collateral of loans and financings and debentures.

Considering the current information and data regarding the potential impacts of COVID-19 pandemic (Note 2) on its activities to date, the Company has not identified significant risks in its trade receivables since a large part of the existing balance is from card companies, delivery platforms and its franchises.

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## 7. Inventories

	Parent company and Consolidated	
	2020	2019
Goods for resale	55,841	55,805
Distribution center – BKB (i)	55,494	33,738
Gifts	14,277	9,498
<b>Total inventories</b>	<b>125,612</b>	<b>99,041</b>

(i) The increase in inventories at distribution centers is mainly due to the creation of a new distribution center in Araucária and the increase in inventory levels to meet demands.

## 8. Taxes recoverable

	Parent company and Consolidated	
	2020	2019
IRPJ (Income Tax)	1,973	1,973
CSLL (Social Contribution on Profit)	1,086	839
IRRF (Withholding Income Tax)	6,609	2,366
ICMS (State VAT)	48,482	23,206
Non-cumulative PIS	17,011	15,904
Non-cumulative COFINS	53,155	52,486
INSS (Social Security Contribution)	5,684	3,551
Other	349	353
<b>Total taxes recoverable</b>	<b>134,349</b>	<b>100,678</b>
Current	37,116	27,558
Non-current (*)	97,233	73,120

(i) The increase in the balances of taxes recoverable includes the recognition of untimely tax credits. The Company expects to offset these credits by 2025.

## 9. Advances expenses

	Parent company and Consolidated	
	2020	2019
Advances to suppliers of services and materials (i)	3,652	10,130
Expenses to be reimbursed - Marketing Fund (ii)	43	35,985
<b>Total advances paid</b>	<b>3,695</b>	<b>46,115</b>

(i) The decrease in advances to suppliers is mainly due to the lower number of stores opened in 2020, resulting in less need for advances for purchase of equipment and with construction companies and review of the policy for granting advances to suppliers for a greater protection of liquidity after the beginning of the COVID-19 pandemic.

(ii) The decrease in expenses to be reimbursed - Marketing Fund in the year ended December 31, 2020 is mainly due to the settlement of the annual media placement contracted in advance and the preparation and disclosure of new product platforms incurred during 2020.

## 10. Property and equipment, net

	Average annual depreciation rate - %	Parent company and Consolidated	
		2020	2019
Facilities, improvement and projects	(i)	608,550	524,503
Machinery and equipment	5% to 25%	293,613	235,785
Furniture and fixtures	6% to 20%	47,593	57,550
Computers and hardware	2 to 5%	80,581	67,716
Other assets	-	173,421	288,364
(-) Provision for impairment	-	(8,094)	(10,340)
<b>Total property and equipment</b>		<b>1,195,664</b>	<b>1,163,578</b>

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

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## 10. Property and equipment, net--Continued

In the year ended December 31, 2020, financial charges in the amount of R\$ 10,023 were capitalized (R\$ 986 in the year ended December 31, 2019).

The movements in property and equipment in the years ended December 31, 2020 and 2019 were as follows:

	Parent company and Consolidated						
	Facilities, improvement and projects	Machinery and equipment	Furniture and fixtures	Computers and hardware	Other assets (ii)	(-) Provision for impairment	Total
<b>Cost</b>							
<b>Balance as at December 31, 2018</b>	663,825	236,621	62,168	103,167	250,129	(7,533)	1,308,377
Additions	38,660	58	-	-	387,149	-	425,867
Acquisition	20,265	12,891	3,992	2,488	-	-	39,636
Transfers	175,100	101,818	23,938	47,730	(348,586)	-	-
Write-offs	(11,998)	(2,503)	(540)	(3,498)	2,838	-	(15,701)
Sale of stores (Note 26)(i)	(11,175)	(4,254)	(1,031)	(1,660)	(3,166)	-	(21,286)
Impairment (Note 26)	-	-	-	-	-	(2,807)	(2,807)
<b>Balance as at December 31, 2019</b>	874,677	344,631	88,527	148,227	288,364	(10,340)	1,734,086
Additions	33,388	-	-	-	204,253	-	237,641
Transfers	162,943	108,194	(598)	41,877	(312,416)	-	-
Write-offs	(34,850)	(9,255)	(2,519)	(6,462)	(4,445)	-	(57,531)
Sale of assets (Note 26)(i)	(1,322)	(1,172)	(50)	(300)	(2,335)	-	(5,179)
Impairment (Note 26)	-	-	-	-	-	2,246	2,246
<b>Balance as at December 31, 2020</b>	1,034,836	442,398	85,360	183,342	173,421	(8,094)	1,911,263
<b>Depreciation</b>							
<b>Balance as at December 31, 2018</b>	(258,193)	(80,227)	(23,392)	(61,729)	-	-	(423,541)
Additions	(103,695)	(30,644)	(8,039)	(22,673)	-	-	(165,051)
Write-offs	5,340	406	58	2,677	-	-	8,481
Sale of stores (Note 26)(i)	6,374	1,619	396	1,214	-	-	9,603
<b>Balance as at December 31, 2019</b>	(350,174)	(108,846)	(30,977)	(80,511)	-	-	(570,508)
Additions	(100,966)	(45,096)	(8,541)	(27,208)	-	-	(181,811)
Write-offs	23,774	4,545	1,726	4,700	-	-	34,745
Sale of assets (Note 26)(i)	1,080	612	25	258	-	-	1,975
<b>Balance as at September 30, 2020</b>	(426,286)	(148,785)	(37,767)	(102,761)	-	-	(715,599)
<b>Total property and equipment at 12/31/2018</b>	405,632	156,394	38,776	41,438	250,129	(7,533)	884,836
<b>Total property and equipment at 12/31/2019</b>	524,503	235,785	57,550	67,716	288,364	(10,340)	1,163,578
<b>Total property and equipment at 12/31/2020</b>	608,550	293,613	47,593	80,581	173,421	(8,094)	1,195,664

(i) Disposal of 2 stores, in line with Management's strategy to focus on increase in profitability and return on invested capital and sell scrapped assets, generating a net capital gain of R\$ 431 in 2020 (disposal of 1 store generating a net capital loss of R\$ 196 in 2019); (Note 26, line items "Income from stores sold" and "Write-off of assets of stores sold").

(ii) Stores built and / or remodeled substantially that will be reallocated to the fixed assets groups according to the Company's policy R\$ 35,990 (R\$ 149,888 in 2019), works referring to stores under construction R\$ 43,125 (R\$ 25,683 in 2019), new equipment in stock R\$ 48,849 (R\$ 65,197 in 2019), maintenance equipment R\$ 4,222 (R\$ 2,448 in 2019), and other assets in progress R\$ 41,235 (R\$ 45,148 in 2019).

## 10. Property and equipment, net--Continued

Considering the current information and data regarding the potential impacts of the COVID-19 pandemic on its activities to date, in addition to reversing the provision for impairment of stores that were closed where non-recoverable assets were written off, the Company identified the need to record a provision for impairment of other stores (Note 26) and continues attentive to any additional indication of impairment that may arise.

### Impairment test

The Company considers each restaurant as its smallest cash generating units (CGUs), and tested them for impairment taking into consideration the maturity period (beginning in 24 months, considering 589 restaurants of a total of 703 in 2020 and 548 of a total of 714 in 2019) and their future cash flows discounted to present value, at the rate of 9.74% (WACC) and limited to the contractual period of that store plus a renewal of the lease. Once the restaurants with indication of impairment were identified, the Company's Management assessed the perspectives of resumption of cash generation or their discontinuance.

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

The Company accrued the carrying amount of its impaired assets of stores and other assets, comprising: facilities, improvements, projects, assignment of right and obsolete assets. In 2020, the provision balance was R\$ 8,094 (R\$ 10,340 in 2019).

In the year ended December 31, 2019, the Company had 22 stores with provisions for impairment. In 2020, a provision was set up for the impairment of additional 18 stores, of which 40 stores had a provision, 24 were closed, 1 was transferred, and 4 had their provisions reversed, considering the resumption of the Company's normal activities. The result of the movement was the reversal of impairment of R\$ 2,246 in 2020 (provisions of R\$ 2,807 in 2019) (Note 26).

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

## 11. Intangible assets, net

	Average annual amortization rate	Parent company and Consolidated	
		2020	2019
Commercial rights	(i)	67,687	68,645
Franchise fee	5%	84,522	76,626
Software licenses	20%	16,495	11,264
Right-of-use asset	(ii)	732,308	660,986
Goodwill	(iii)	572,199	572,199
<b>Total intangible assets</b>		<b>1,473,211</b>	<b>1,389,720</b>

- (i) According to the rental agreement terms, 10 years on average.
- (ii) According to the rental agreement term.
- (iii) Annual analysis of impairment.

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## 11. Intangible assets, net--Continued

The movements in intangible assets in the years ended December 31, 2020 and 2019 were as follows:

	Parent company and Consolidated					Total
	Commercial rights	Franchise fee (Note 20)	Software licenses	Right-of-use assets (Note 3)	Goodwill	
<b>Cost</b>						
<b>Balance as at December 31, 2018</b>	101,757	70,161	19,132	-	184,917	375,967
Additions	19,810	20,708	7,082	779,224	-	826,824
Mergers	21,466	6,718	905	-	387,282	416,371
Write-offs	(1,270)	(531)	(154)	-	-	(1,955)
Sale of stores (Note 26)(i)	(647)	(1,462)	(98)	-	-	(2,207)
<b>Balance as at December 31, 2019</b>	141,116	95,594	26,867	779,224	572,199	1,615,000
Additions	16,590	15,068	10,579	205,224	-	247,461
Write-offs	(1,766)	(1,656)	(364)	-	-	(3,786)
Sale of assets (Note 26)(i)	(10)	(179)	(12)	-	-	(201)
<b>Balance as at December 31, 2020</b>	155,930	108,827	37,070	984,448	572,199	1,858,474
<b>Amortization</b>						
<b>Balance as at December 31, 2018</b>	(55,334)	(14,504)	(12,337)	-	-	(82,175)
Additions	(18,241)	(4,813)	(3,382)	(118,238)	-	(144,674)
Write-offs	751	4	68	-	-	823
Sale of assets (Note 26)(i)	353	345	48	-	-	746
<b>Balance as at December 31, 2019</b>	(72,471)	(18,968)	(15,603)	(118,238)	-	(225,280)
Additions	(17,200)	(5,824)	(5,255)	(133,902)	-	(162,181)
Write-offs	1,418	442	274	-	-	2,134
Sale of stores (Note 26)(i)	10	45	9	-	-	64
<b>Balances as at December 31, 2020</b>	(88,243)	(24,305)	(20,575)	(252,140)	-	(385,263)
<b>Total intangible assets as at 12/31/2018</b>	46,423	55,657	6,795	-	184,917	293,792
<b>Total intangible assets as at 12/31/2019</b>	68,645	76,626	11,264	660,986	572,199	1,389,720
<b>Total intangible assets as at 12/31/2020</b>	67,687	84,522	16,495	732,308	572,199	1,473,211

- i) Disposal of 2 stores, in line with Management's strategy to focus on increase in profitability and return on invested capital and sell scrapped assets, generating a net capital gain of R\$ 431 in 2020 (disposal of 1 store generating a net capital loss of R\$ 196 in 2019); (Note 26, line items "Income from stores sold" and "Write-off of assets of stores sold").

## 11. Intangible assets, net--Continued

Considering the current information and data regarding the potential impacts of COVID-19 pandemic on its activities to date, the Company has identified the need to recognize a provision for impairment of its assets (Note 26), and continues attentive to any indication of impairment that may arise.

### 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, 2020 and 2019, no intangible assets with carrying amounts higher than their recoverable amounts were identified.

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

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

- The projections were made in reais and discounted at the weighted average cost of capital ("WACC"), considering the sensitivities in this metric. The post-tax discount rate applied to cash flow projections is 9.74% p.a. in 2020 (9.55% p.a. in 2019).
- The nominal growth rate used to extrapolate the cash flows of the economic group for a period of five years was 4.8% for all years, which reflects a conservative perspective of the Company's growth in relation to future annual inflation. The average growth rates of the sales revenues projected for the five-year period were adjusted considering the future projection of the Extended National Consumer Price Index (IPCA), GDP (Gross Domestic Product), and the opening of new stores.

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

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## 12. Loans and financings

	Parent company and Consolidated	
	2020	2019
Loans and financings (Note 12.1)	430,002	8,094
Debentures and CRA (Agribusiness Receivables Certificate) (Note 12.2)	400,774	511,776
<b>Total loans and financings</b>	<b>830,776</b>	<b>519,870</b>
Current	53,612	116,556
Non-current	777,164	403,314

The loans and financings in local currency are represented by financing for the purchase of assets for new stores opened and for working capital and the non-current amounts, not discounted from the financial charges to be incurred, have the following original maturities as at December 31, 2020 and 2019:

Year	Parent company and Consolidated	
	2020	2019
2021	-	2,032
2022	140,385	2,081
2023	120,885	920
2024	449,384	401,074
2025	68,000	-
<b>Total</b>	<b>778,654</b>	<b>406,107</b>

### 12.1. Loans and financings

Description	Interest rates (p.m.)	Maturity	Parent company and Consolidated	
			2020	2019
Loan - Working capital (i)	0.22% to 0.30% + CDI	Jun/2022 to Mar/2025	430,391	-
Fixed rate loan – Banco do Nordeste (ii)	0.89%	-	-	8,094
Financial charges to be incurred			(389)	-
<b>Total loans and financings</b>			<b>430,002</b>	<b>8,094</b>
Current			51,417	1,941
Non-current			378,585	6,153

- (i) On March 20, 2020, the Company contracted a new loan, pursuant to Law No. 4,131 simultaneously with a swap transaction, to hedge against the fluctuations in exchange rates, in the amount of R\$ 170,000 with interest linked to CDI + 0.37% p.m., for working capital purposes. This loan has covenants similar to those of the 8<sup>th</sup> issue of debenture with maturity in March 2021 and has no guarantees (*clean*), except for standby letter of credit linked to it. On December 22, 2020, the contract was amended to extend the maturity of the debt immediately after its maturity, with a new maturity in March 2025 with a renegotiated rate of CDI + 0.22% p.m..

However, on April 9, 2020 the Company contracted a new loan through CCB without IOF in accordance with Decree 10,305/2020, in the amount of R\$ 50,000 with interest linked to CDI + 0.23% p.m. for working capital purposes. This loan has covenants similar to those of the 8<sup>th</sup> issue of debentures with maturity in April 2021, but has no clause of financial leverage (net debt/adjusted EBITDA) and guarantees (*clean*). On December 16, 2020, the contract was added to extend the maturity of the debt to December 2024 with a renegotiated rate of CDI + 0.25% p.m..

On June 5, 2020 the Company contracted a new loan through CCB without IOF in accordance with Decree 10,305/2020, in the amount of R\$ 150,000 with interest linked to CDI + 0.30% p.m. for working capital purposes and lengthening of the debt profile. This loan has covenants similar to those of the 8<sup>th</sup> issue of debentures, and maturity in June 2023. The fiduciary assignment of the card banner representing 20% of the outstanding balance was pledged as collateral, in addition to a CDB of R\$ 25,000 for a specified period of 90 days.

Also on June 5, 2020 the Company contracted a new loan through CCB without IOF in accordance with Decree 10,305/2020, in the amount of R\$ 50,000 with interest linked to CDI + 0.30% p.m. for working capital purposes and lengthening of the debt profile. This loan has covenants similar to those of the 8<sup>th</sup> issue of debentures with maturity in June 2022, but has no clause of financial leverage (net debt/adjusted EBITDA) and guarantees (*clean*).

- (ii) On 09/03/2020, the Company settled the debt.

## 12. Loans and financings--Continued

### 12.1. Loans and financings--Continued

In response to the economic impact of the evolution of COVID-19 in Brazil, the Company took measures to strengthen and preserve its cash and the financial health of its business, in view of the scenario of uncertainties resulting from the spread of the disease and the policies to prevent it, which included the closing of physical commerce and great limitation of movement of people, directly impacting the Company's business.

### 12.2. Debentures and Agribusiness Receivables Certificate (CRA)

Description	Interest rates (p.m.)	Maturity	Parent company and Consolidated	
			2020	2019
Debentures 6 <sup>th</sup> issue (i)	100% of CDI + 0.24%	May 2020	-	12,373
Debentures 7 <sup>th</sup> issue (CRA) (ii)	100% of CDI + 0.07%	October 2020	-	102,371
Debentures 8 <sup>th</sup> issue	100% of CDI + 0.11%	October 2024	402,721	403,423
Financial charges to be incurred			(1,947)	(6,391)
<b>Total debentures (Note 12)</b>			<b>400,774</b>	<b>511,776</b>
Current			<b>2,195</b>	114,615
Non-current			<b>398,579</b>	397,161

(i) On May 4, 2020, the Company settled the Debentures 6<sup>th</sup> issue, according to the schedule stipulated in its issue.

(ii) On October 20, 2020, the Company settled the Debentures 7<sup>th</sup> issue (CRA), according to the schedule stipulated in its issue.

### 12.3. Covenants

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

The ratios and minimum and maximum amounts required by these covenants as at December 31, 2020 and 2019 are presented below:

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## 12. Loans and financings--Continued

### 12.3. Covenants--Continued

#### Debentures 8<sup>th</sup> issue, loans and financings:

- (i) The ratio between net debt (Note 30) and adjusted EBITDA (covenants), excluding the effects of IFRS16, of the Company must be less than or equal to 3.0.

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

	Consolidated	
	2020	2019
Net sales revenue (Note 23)	2,238,127	2,867,990
Cost of goods and products sold and expenses with stores (Notes 24 and 25) (i)	(2,244,906)	(2,437,868)
<b>Operating EBITDA</b>	<b>(6,779)</b>	430,122
Operating EBITDA margin	(0.3%)	15.0%
General and administrative expenses (Note 26) (i)	(127,095)	(106,186)
<b>Adjusted EBITDA</b>	<b>(133,874)</b>	323,936
Loans and financings (Debt) (Note 12)	830,776	519,870
Cash and cash equivalents and marketable securities (Notes 4 and 5)	(820,819)	(605,459)
<b>Net debt</b>	<b>9,957</b>	(85,589)
<b>Net debt/ EBITDA ratio</b>	<b>N/A</b>	(0.3)

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

Covenants are controlled annually by the financial institutions, and monthly by the Company. Considering the impacts on the results over the year, cash consumption in the current scenario and the worsening of the effects of the pandemic on its operating activities (Note 2), the Company was limited in the compliance with the covenants regarding its annual obligation and obtained the waiver for the measurement of these ratios for 2020.

#### Collaterals

As at December 31, 2020 the Company has a letter of guarantee with banks amounting to R\$ 4,573 (R\$5,144 as at December 31, 2019) as collateral for the rental of stores.

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### 13. Trade payables

	Parent company and Consolidated	
	2020	2019
Suppliers of materials and services (i)	164,643	218,616
Agreement with suppliers (ii)	39,645	58,116
Others	13,328	9,700
<b>Total trade and rental payables</b>	<b>217,616</b>	<b>286,432</b>

- (i) The decrease in the balance of suppliers of materials and services in the year ended December 31, 2020 is mainly due to the reduction in the operation of restaurants due to the COVID-19 pandemic (Note 2).
- (ii) The Company has financial liabilities with suppliers, through financial institutions, whose suppliers received in advance in the year ended December 31, 2020. We have evaluated the potential financial value embedded in the operations, in conjunction with the term and do not consider it significant for greater details.

### 14. Lease liabilities

	Parent company and Consolidated	
	2020	2019
Lease liabilities	1,083,014	964,323
(-) Adjustment to present value of lease liabilities	(291,683)	(271,114)
<b>Total lease liabilities (Notes 3, 30 and 32)</b>	<b>791,331</b>	<b>693,209</b>
Current (Note 3)	126,941	99,156
Non-current (Note 3)	664,390	594,053

The non-current lease liabilities have the following original maturities as at December 31, 2020:

Expiration period	Parent company and Consolidated		
	2020		
	Lease Liabilities	(-) Adjustment to present value of lease liabilities	Total
Over 1 year and less than 3 years	347,568	(111,005)	236,563
Over 3 years and less than 5 years	266,658	(67,147)	199,511
Over 5 years	268,046	(39,730)	228,316
Total	<b>882,272</b>	<b>(217,882)</b>	<b>664,390</b>

### 15. Corporate payables

As at December 31, 2020, the Company (Parent company and consolidated) had the balance of R\$ 15,824 related to royalties and franchise fee due to BKC and PLK (R\$23,760 as at December 31, 2019), as detailed in notes 20.1, 30 and 32.

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## 16. Taxes payable

	Parent company and Consolidated	
	2020	2019
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	-	124
Corporate Income Tax (IRPJ)	-	4,243
Social Contribution on Profit (CSLL)	-	1,536
Social Integration Program (PIS)	-	26
Withholding Income Tax (IRRF)	988	1,999
State VAT (ICMS)	17,696	4,644
Contribution For Intervention in the Economic Domain (CIDE)	2,548	2,022
Taxes in installments (i)	10,812	12,129
Service Tax (ISS) withheld	5,577	5,895
Social Security Contribution (INSS) withheld	862	1,695
Social Security Contribution (INSS) payable (ii)	2,432	2,432
Other	1,426	1,010
<b>Total taxes payable</b>	<b>42,341</b>	<b>37,755</b>
Current	31,561	25,150
Non-current	10,780	12,605

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

(ii) Refers to the spontaneous installment of INSS of funds made by the investees, merged during 2019.

## 17. Deferred revenue, net

	Parent company and Consolidated	
	2020	2019
	<b>Deferred revenue</b>	<b>Deferred revenue</b>
Deferred revenue, net (i) – franchise fee	3,942	2,579
Deferred revenue, net (ii) - trade payables	22,679	24,488
<b>Total deferred revenue, net</b>	<b>26,621</b>	<b>27,067</b>
Current	11,857	9,139
Non-current	14,764	17,928

(i) Recognition of franchise fee of sub-franchisee due to the adoption of CPC 47/NBC TG 47/IFRS 15 - Revenue from Contracts with Customers.

(ii) Amounts received in advance for the marketing campaign agreement entered into with specific suppliers for the exclusive sale of products of these suppliers in Burger King restaurants, exposure of suppliers' brands and investment in marketing campaigns to increase the sales of Burger King products and consequently increase in sales of the suppliers' products.

## 18. Other payables

	Parent company		Consolidated	
	2020	2019	2020	2019
Provision for sundry expenses (i)	22,495	6,981	22,495	6,981
Investments payable - King Food/Good Food and Fast Burger	15,393	15,242	15,393	15,242
(-) Adjustment to present value of investments payable - King Food/Good Food and Fast Burger	(1,120)	(2,043)	(1,120)	(2,043)
Advances from customers	930	1,523	930	1,523
Others	109	156	135	217
<b>Total other payables</b>	<b>37,807</b>	<b>21,859</b>	<b>37,833</b>	<b>21,920</b>
Current	20,946	4,622	20,972	4,683
Non-current	16,861	17,237	16,861	17,237

(i) Increase mainly due to provisions for fees with delivery platform services, marketing expenses and restaurant cleaning services in combating the COVID-10 and freight of goods. .

## 19. Provision for legal claims

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

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

In addition, the Company is aware, as at December 31, 2020, 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\$ 46,635 (R\$ 39,371 in 2019) in Parent company and Consolidated, as follows:

	Parent company and Consolidated			
	2020		2019	
	Probable	Possible (i)	Probable	Possible (i)
Labor lawsuits	21,896	26,467	15,626	19,780
Civil lawsuits	1,265	10,690	625	10,316
Tax lawsuits	2	9,478	24	9,275
<b>Total provision for legal claims</b>	<b>23,163</b>	<b>46,635</b>	<b>16,275</b>	<b>39,371</b>

(i) For lawsuits with a possible likelihood of loss, there is no provision to cover losses on these lawsuits.

### Probable labor claims

The Company and its investees are parties to labor lawsuits, mainly regarding employee terminations in the normal course of business. As at December 31, 2020, the Company had a provision of R\$ 21,896 (R\$ 15,626 as at December 31, 2019) in the Parent company and Consolidated, for the contingencies related to lawsuits. These contingencies are evaluated based on the average historical loss of the last eighteen months compared with the total lawsuits outstanding at the end of the year, excluding lawsuits considered as specific and non-routine, for which specific provisions are set up adopting criteria similar to those applied for tax and civil assessments.

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

	Parent company and Consolidated			
	2019	Additions	Payments	2020
Labor lawsuits	15,626	21,757	(15,487)	21,896
Civil lawsuits	625	3,704	(3,064)	1,265
Tax lawsuits	24	3	(25)	2
<b>TOTAL</b>	<b>16,275</b>	<b>25,464</b>	<b>(18,576)</b>	<b>23,163</b>

### Judicial deposits

	Parent company and Consolidated	
	12/31/2020	12/31/2019
Labor lawsuits	26,542	24,289
Civil lawsuits	697	659
Tax lawsuits	10,761	8,486
<b>Total judicial deposits</b>	<b>38,000</b>	<b>33,434</b>

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### 20. Related parties

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

#### 20.1 Franchise Fees, Royalties and Service Fee

As mentioned in note 1, the transactions of Franchise Fees and Royalties are carried out under exclusive conditions provided in the agreements with BKC and PLK, since BKB is the representative of the brands in Brazil, and there are no comparable conditions in the market.

The Service Fee revenue is related to the management and advisory of franchisees' information to BKC and is based on percentages of the franchisees' monthly sales.

Both receivables for the provision of services and payables due to existing fees have monthly settlements.

In view of the agreements described above, the Company has recorded in its payables and receivables in the years ended December 31, 2020 and 2019 the following amounts:

	Burger King Corporation (BKC)		Popeyes Louisiana Kitchen (PLK)	
	2020	2019	2020	2019
<b>Assets</b>				
Receivables (Note 6)	145	438	500	-
Additions of Franchise Fee (Note 11)	12,094	17,940	2,974	2,768
<b>Liabilities</b>				
Corporate payables (Note 15)	(15,381)	(22,246)	(443)	(1,514)
<b>Results</b>				
Service fee revenue	605	1,207	-	-
Royalties expenses	(106,950)	(136,728)	(3,076)	(1,849)

#### 20.2 Management compensation

	2020		2019	
	Directors	Officers	Directors	Officers
Management fees	4,926	-	5,267	-
Direct and indirect benefits	616	-	872	-
Variable compensation	6,804	-	9,056	-
Fees	-	2,351	-	553
Others (INSS)	1,833	470	1,474	111
	14,179	2,821	16,669	664

On July 31, 2020, an Annual General Meeting was held, which approved the Company's global management compensation for 2020, in the amount of up to R\$ 23,982, of which R\$ 21,170 refer to the compensation provided for the Company's Statutory Officers and R\$ 2,812 to the compensation provided for the Board of Directors. The calculated amounts are recorded in general and administrative expenses. However, the Company identified that the expenses incurred in 2020 exceeded those approved in the AGM, therefore it will ratify the amount of compensation for 2020 in the next Annual or Extraordinary General Meeting to be held. The Company's officers are also included in the Stock Option Plan, which is described in Note 33.

## 21. Equity

### Capital

As at December 31, 2020, the Company's capital is R\$ 1,461,068 and is represented by 275,355,447 common shares (R\$ 950,768 and represented by 228,105,447 shares as at December 31, 2019), all of them registered, book-entry and without par value.

On November 17, 2020, the capital increase to R\$ 1,461,068 was approved through the issue of 47,250,000 new common shares, for the issue price of R\$ 10.80 per share as a result of the Primary Public Offering of registered common shares, book-entry and without par value, which was carried out by the Company in Brazil, in an unorganized over-the-counter market, with restricted placement efforts, pursuant to CVM Instruction 476, of January 16, 2009, and other applicable regulations.

On September 29, 2020, the EGM approved the increase in the Company's authorized capital, from 237,673,167 common shares to 282,690,560 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 March 30, 2020, the government issued the provisional measure *MP 931/2020* which allows flexible date for the AGM. In view of this, the Company opted to postpone the AGM until July 31, 2020, when the allocation of the result for 2019 as well as the audited financial statements for 2019 were submitted for approval.

### Allocation of profits and losses

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.

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

The proposal for the allocation of the Company's profit for 2019, in the amount of R\$ 48,543, is as follows: (i) legal reserve in the amount of R\$ 2,427; (ii) minimum mandatory dividends (in the form of interest on capital) in the amount of R\$ 11,529; and (iii) retention of a portion of the profit for the year ended December 31, 2019 in the amount of R\$ 34,587, according to the capital budget that was approved at the Annual General Meeting on July 31, 2020.

## 21. Equity--Continued

### Interest on Capital

As provided for in Law 9,249 / 95, the Company calculated interest on capital based on the long-term interest rate (TJLP) prevailing in 2019, in the amount of R\$ 11,529 (R\$ 10,054 net of IRRF), corresponding to the year 2019, approved at the Board of Directors' meeting of February 19, 2020 as minimum mandatory dividend.

## 22. Earnings (loss) per share

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

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

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

	<u>Parent company and Consolidated</u>	
	<u>2020</u>	<u>2019</u>
<b><u>Basic numerator</u></b>		
Profit (loss) for the year	(445,607)	48,543
<b><u>Basic denominator</u></b>		
Basic weighted average number of shares - in thousand	232,563	226,624
<b><u>Basic earnings (loss) per share</u></b>	<b>(1.9161)</b>	0.2142
<b><u>Diluted numerator</u></b>		
Profit (loss) for the year	(445,607)	48,543
<b><u>Diluted denominator</u></b>		
Weighted average number of shares - in thousand	232,563	226,624
Stock options (Note 33) - in thousand	1,693	289
Anti-dilution effect - in thousand	(1,693)	-
<b><u>Diluted weighted average number of shares</u></b>	<b>232,563</b>	226,913
<b><u>Diluted earnings (loss) per share (R\$)</u></b>	<b>(1.9161)</b>	0.2139

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## 23. Net operating revenue

	Parent company and Consolidated	
	2020	2019
Gross sales revenue	2,433,203	3,069,758
Sales revenue deductions	(221,130)	(228,100)
<b>Net sales revenue</b>	<b>2,212,073</b>	<b>2,841,658</b>
Gross revenue from services rendered	29,222	29,507
Service revenue deductions	(3,168)	(3,175)
<b>Net service revenue</b>	<b>26,054</b>	<b>26,332</b>
<b>Total net operating revenue</b>	<b>2,238,127</b>	<b>2,867,990</b>

## 24. Cost of goods and products sold

	Parent company and Consolidated	
	2020	2019
Costs of food, beverages and packaging	(830,753)	(962,279)
Cost of services and others (i)	(83,204)	(119,861)
<b>Total cost of sales and services</b>	<b>(913,957)</b>	<b>(1,082,140)</b>

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

## 25. Expenses with stores

	Parent company		Consolidated	
	2020	2019	2020	2019
Personnel expenses	(481,608)	(498,939)	(481,608)	(498,939)
Royalties and marketing fund (i)	(232,277)	(262,658)	(232,277)	(262,658)
Occupancy and utilities expenses (ii)	(197,830)	(223,847)	(197,830)	(223,896)
Depreciation and amortization (Notes 12 and 13)	(189,480)	(171,900)	(189,480)	(176,293)
Amortization of right of use (rental) (Note 3) (iii)	(121,064)	(106,067)	(121,064)	(106,067)
Preoperating expenses (iv)	(5,851)	(18,084)	(5,851)	(18,084)
Sundry services (v)	(161,305)	(85,947)	(161,305)	(85,947)
Repairs and maintenances	(57,262)	(58,668)	(57,262)	(58,723)
Others (vi)	(85,199)	(87,632)	(85,199)	(87,667)
<b>Total expenses with stores</b>	<b>(1,531,876)</b>	<b>(1,513,742)</b>	<b>(1,531,876)</b>	<b>(1,518,274)</b>

- (i) Marketing and Propaganda expenses are recognized in the statement of profit and loss as incurred.
- (ii) The effects of the adoption of CPC 06 (R2) / NBC TG 06 (R3) / IFRS16 positively impacted the line items of occupancy and utilities expenses by R\$ 115,468 in 2020 (R\$ 136,148 in 2019), net of Pis and Cofins, as the operating lease (fixed rent) is no longer recognized under this line item (Note 3).
- (iii) In compliance with CVM *Circular Ofício 02/2019*, the balance in the statement of position account Amortization of right of use (Notes 3 and 11) is gross of taxes (Pis and Cofins) and totals R\$ 133,902, while the balances presented in the statement of profit and loss account Amortization of right of use (Notes 25 and 26) are net of taxes (Pis and Cofins) totaling R\$ 121,992.
- (iv) 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.
- (v) The variation in sundry services is mainly due to the increase in delivery platform services, which are directly linked to the sales generated by this channel.
- (vi) As a result of combating against COVID-19 pandemic (Note 2), the Company recognized additional expenses in the amount of R\$3,255 in general and administrative expenses mainly to alcohol, masks and soaps for employees of stores that continued open, even with the reduced operation.

## 26. General and administrative expenses

	Parent company		Consolidated	
	2020	2019	2020	2019
Administrative personnel expenses	(119,273)	(115,001)	(119,273)	(115,001)
Occupancy and utilities expenses (i)	(1,290)	(660)	(1,290)	(673)
Depreciation and amortization (Notes 10 and 11)	(20,610)	(19,587)	(20,610)	(19,587)
Amortization of right of use (rental) (Note 3) (ii)	(928)	(1,234)	(928)	(1,234)
Expenses on acquisitions and mergers (iii)	(158)	(3,144)	(158)	(3,144)
Disposal of property and equipment (Notes 10 and 11)	(24,438)	(8,352)	(24,438)	(9,224)
Income from stores sold	3,772	12,948	3,772	12,948
Write-off of assets of stores sold (Note 10)	(3,341)	(13,144)	(3,341)	(13,144)
Gains on claims	13	(39)	13	(39)
Reversal (Provision) for impairment (Note 10)	2,246	(2,807)	2,246	(2,807)
Stock options cost (Note 33)	(9,824)	(4,315)	(9,824)	(4,315)
Other operating income (expenses), net (iv) / (v)	(5,373)	13,370	(5,628)	13,803
<b>Total general and administrative expenses</b>	<b>(179,204)</b>	<b>(141,965)</b>	<b>(179,459)</b>	<b>(142,417)</b>

- (i) The effects of the adoption of CPC 06 (R2) / NBC TG 06 (R3) / IFRS16 positively impacted the line items of occupancy and utilities expenses by R\$ 904 in 2020 (R\$ 1,021 in 2019), net of Pis and Cofins, as the operating lease (fixed rent) is no longer recognized under this line item (Note 3).
- (ii) In compliance with CVM *Ofício 02/2019*, the balance in the statement of financial position account Amortization of right of use (Notes 3 and 11) is gross of taxes (Pis and Cofins) and totals R\$ 133,902, while the balances in the statement of profit and loss accounts Amortization of right of use (Notes 25 and 26) are net of taxes (Pis and Cofins) totaling R\$ 121,992.
- (iii) Mainly comprised of expenses on third parties related to the acquisitions and mergers carried out during the year.
- (iv) Refer to the income from the premium on the initial supply agreement, reversal of costs on the construction of stores, expenses with provisions for legal claims, services taken and travel expenses and services rendered in the subsidiaries.
- (v) As a result of combating against COVID-19 pandemic (Note 2), the Company recognized additional expenses in general and administrative expenses in the total of R\$ 2,409, related mainly to donation in cash made to SUS (Sistema Único de Saúde - National Health Service).

## 27. Financial expenses

	Parent company		Consolidated	
	2020	2019	2020	2019
Interest on loans and financings	(26,823)	(14,941)	(26,823)	(14,941)
Banking expenses and sundry interest	(9,821)	(5,688)	(9,821)	(5,737)
Foreign exchange losses	(2,335)	(2,107)	(2,335)	(2,107)
Lease APV expense payable (Note 3)	(68,213)	(62,091)	(68,213)	(62,091)
Investment APV expense payable – BKCS	(923)	(698)	(923)	(698)
Derivatives expenses	(2,230)	-	(2,230)	-
Monetary adjustment	(370)	(1,463)	(370)	(2,369)
Others	(3,960)	(5,305)	(3,960)	(5,338)
<b>Financial expenses</b>	<b>(114,675)</b>	<b>(92,293)</b>	<b>(114,675)</b>	<b>(93,281)</b>

## 28. Financial income

	Parent company		Consolidated	
	2020	2019	2020	2019
Financial investment interest and yield	11,313	18,330	11,568	18,732
Foreign exchange gains	3,223	2,128	3,223	2,128
Derivatives income	2,040	-	2,040	-
Lease discounts - COVID-19 (Note 3) (i)	47,033	-	47,033	-
Taxes on financial income	(1,120)	(1,085)	(1,120)	(1,092)
Monetary adjustment	5,382	-	5,382	-
Others	2,298	2,849	2,298	2,849
<b>Financial income</b>	<b>70,169</b>	<b>22,222</b>	<b>70,424</b>	<b>22,617</b>

- (i) Based on the Revision of Technical Pronouncements No.16 issued by CVM on July 7, 2020, which contained amendments to CPC 06 (R2), referring to Benefits Related to COVID-19 Granted to Lessees under Lease Agreements, the Company elected to use the practical expedient of not remeasuring the operating lease agreements since the renegotiations made were in respect of benefits considered related to COVID-19, recognizing such benefits in profit or loss for the year (Note 3).

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Years ended December 31, 2020 and 2019

Notes to the financial statements (In thousands of reais)



### 29. Income tax and social contribution

#### Breakdown of expenses

The breakdown of income tax and social contribution expenses for the years ended December 31, 2020 and 2019 is as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Current	-	(9,262)	-	(9,262)
Deferred	(14,191)	4,568	(14,191)	4,039
	<b>(14,191)</b>	<b>(4,694)</b>	<b>(14,191)</b>	<b>(5,223)</b>

#### Reconciliation to effective rate

The reconciliation of income tax and social contribution expenses calculated at the statutory rates with amounts recorded in the statement of profit and loss for the years ended December 31, 2020 and 2019 is shown below:

	Parent company		Consolidated	
	2020	2019	2020	2019
Profit (loss) before income tax and social contribution	(431,416)	53,237	(431,416)	53,766
Income tax and social contribution expense at the combined statutory rate of 34%	<b>146,681</b>	<b>(18,101)</b>	<b>146,681</b>	<b>(18,280)</b>
Adjustments to reconcile the effective rate:				
Equity pickup	-	(2,324)	-	-
Deferred taxes not recognized on tax losses	(167,149)	14,314	(167,149)	14,314
Cash shortage	(321)	(207)	(321)	(207)
Tax and labor fines and infractions	(699)	(663)	(699)	(663)
Stock options costs	(3,340)	(1,467)	(3,340)	(1,467)
Share issue costs	7,810	-	7,810	-
Interest on capital (IOC)	3,920	6,753	3,920	6,753
Other permanent differences	(1,093)	(2,999)	(1,093)	(5,673)
<b>Income tax and social contribution</b>	<b>(14,191)</b>	<b>(4,694)</b>	<b>(14,191)</b>	<b>(5,223)</b>

#### Deferred

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

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

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

## 29. Income tax and social contribution--Continued

### Deferred--Continued

Thus, the deferred tax credits presented follow the assumption of their future realization, in accordance with technical pronouncement CPC 32 / NBC TG 32 (R4) / IAS 12 - Income Taxes, which establishes the essential conditions for accounting recognition and maintenance of deferred tax assets.

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

	<b>Parent company and Consolidated</b>	
	<b>2020</b>	<b>2019</b>
Deferred income tax and social contribution - assets	<b>164,351</b>	95,551
Deferred income tax and social contribution - liabilities	<b>(186,994)</b>	(104,003)
	<b>(22,643)</b>	(8,452)

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

	<b>Parent company</b>	
	<b>2020</b>	<b>2019</b>
Tax loss carryforwards	<b>600,094</b>	119,056
<u>Temporary differences</u>		
Provision for legal claims (Note 19)	<b>23,163</b>	16,275
Provision for bonuses	<b>20,126</b>	25,175
Provision for purchases	<b>2,137</b>	-
Provision for impairment (Note 10)	<b>8,094</b>	10,340
Pre-operating	<b>26,961</b>	31,137
Accrued expenses	<b>19,956</b>	8,990
Amortization of leases and APV on lease liabilities	<b>359,597</b>	169,392
Deferred revenue	<b>3,942</b>	-
Others	<b>19,407</b>	9,146
Tax base	<b>1,083,478</b>	389,511
Statutory rate	<b>34%</b>	34%
	<b>368,382</b>	132,434
(-) Unrecognized deferred taxes on tax loss and negative basis	<b>(204,031)</b>	(36,883)
Deferred income tax and social contribution - assets	<b>164,351</b>	95,551
Transitional Tax System (RTT)	<b>(695)</b>	(1,506)
Financial charges to be incurred	<b>(2,336)</b>	(6,391)
Tax amortization of goodwill	<b>(246,378)</b>	(160,826)
Payment of lease liabilities	<b>(300,574)</b>	(137,168)
Tax base	<b>(549,982)</b>	(305,891)
Combined rate	<b>34%</b>	34%
Deferred income tax and social contribution – liabilities	<b>(186,994)</b>	(104,003)
Deferred income tax and social contribution, net	<b>(22,643)</b>	(8,452)

In view of the uncertain and challenging scenarios caused by the COVID-19 pandemic and in a conservative manner, the Company decided not to recognize the deferred tax asset on tax losses for the year 2020. As for temporary differences, the Company recognized deferred taxes considering the expectation of their future realization.

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

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

For the sensitivity analysis of fluctuations in risks analyzed, Management adopted for the probable scenario the projected interest rates for 2020. 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, 2020 .

#### 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.

### 30. Financial risk management objectives and policies--Continued

#### *Interest rate sensitivity*

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

Variable rate instruments	Parent company		Consolidated	
	2020	2019	2020	2019
Financial assets				
Short-term investments (Note 4)	192,140	293,722	192,140	293,722
Marketable securities (Note 5)	601,124	280,121	601,149	280,182
Financial liabilities				
Loans and financings (Note 12)	(830,776)	(519,870)	(830,776)	(519,870)

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 2.80%.

Asset exposure	Exposure	Risk	Parent company and Consolidated				
			I	II	III	IV	V
			Probable	50%	25%	-25%	-50%
Short-term investments (Notes 4 and 5)	793,289	DI variation	11,568	5,784	2,892	(2,892)	(5,784)
Loans and financings (Note 12)	(830,776)	DI variation	(26,823)	(13,412)	(6,706)	6,706	13,412

#### 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:

Asset exposure	Exposure	Risk	Exchange rate as of 12/31/2020	Parent company and Consolidated				
				I	II	III	IV	V
				Probable	50%	25%	-25%	-50%
Royalties/Franchise Fee (Note 15)	15,824	US dollar variation	5.4565	15,824	(7,912)	(3,956)	3,956	7,912

### 30. Financial risk management objectives and policies--Continued

#### 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 marketable securities, with limits among financial institutions, ratings and liquidity criteria.

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

Rating	Parent company		Consolidated	
	2020	2019	2020	2019
AAA+	-	1,228	-	1,228
AAA	549,124	570,665	539,714	553,684
AA+	-	-	-	9,999
AA	243,879	1,633	253,314	1,633
AA-	-	-	-	7,043
A+	-	317	-	317
A	261	-	261	-
	<b>793,264</b>	<b>573,843</b>	<b>793,289</b>	<b>573,904</b>

#### 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, 2020:

	Consolidated					Total
	Carrying amount	Financial flow	Less than 3 months	from 3 months to 1 year	from 1 to 5 years	
<b>Assets</b>						
Cash and cash equivalents (Note 4)	219,670	219,670	219,670	-	-	219,670
Marketable securities (Note 5)	601,149	601,149	-	601,149	-	601,149
Trade receivables (Note 6)	107,188	107,188	107,188	-	-	107,188
<b>Liabilities</b>						
Loans and financings (Note 12)	830,776	973,145	13,302	70,490	889,353	973,145
Trade and rental payables (Note 13)	217,616	217,616	217,616	-	-	217,616
Corporate payables (Note 15)	15,824	15,824	15,824	-	-	15,824
Taxes payable (Note 16)	42,341	42,341	7,890	23,671	10,780	42,341
Lease payables (rental) (Note 14)	791,331	1,083,014	49,498	151,244	882,272	1,083,014

### 30. Financial risk management objectives and policies--Continued

#### Capital management

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

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

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

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

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

	Parent company and Consolidated	
	2020	2019
Equity	1,838,459	1,786,629
Cash and cash equivalents (Note 4)	(219,670)	(325,277)
Marketable securities (Note 5) (i)	(601,149)	(280,182)
Loans and financings (Note 12) (i)	830,776	519,870
<b>Net debt (Note 12.3)</b>	<b>9,957</b>	<b>(85,589)</b>
Lease payables (rental) (Note 14)	791,331	693,209
<b>Total capital</b>	<b>2,639,747</b>	<b>2,394,249</b>

(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 at December 31, 2020, are described below:

### 30. Financial risk management objectives and policies--Continued

#### Hedge accounting--Continued

##### i. Cash flow hedge

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

##### ii. Gains and losses on hedge accounting instruments

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

##### iii. Sensitivity analysis

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

Parity - R\$ x EUR		Current Scenario	Scenario I 25% Appreciation	Scenario II 50% Appreciation	Scenario III 25% Depreciation	Scenario IV 50% Depreciation
Operation/Instrument	Risk					
<b>Designated as hedge accounting</b>						
NDF	R\$ depreciation	300	10,399	20,492	(9,789)	(19,883)
Import (item)	R\$ appreciation	(300)	(10,399)	(20,492)	9,789	19,883
<b>Net effect</b>		-	-	-	-	-

## 31. Derivative financial instruments

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

Instruments	Maturity	Assets (hedged item)	Parent company and Consolidated				
			2020		2019		
			Notional	Fair value	Notional	Fair value	
	<u>(Designated as cash flow hedge)</u>						
NDF	01/2020	Euro	-	-	319	17	
NDF	01/2021	Euro	1,375	49	-	-	
NDF	02/2021	Euro	1,338	31	-	-	
NDF	03/2021	Euro	1,147	22	-	-	
NDF	04/2021	Euro	887	35	-	-	
NDF	05/2021	Euro	956	83	-	-	
NDF	06/2021	Euro	764	77	-	-	
NDF	07/2021	Euro	191	3	-	-	
			<b>6,658</b>	<b>300</b>	319	17	

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

## 32. 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, 2020, 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.

## 32. Fair value--Continued

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

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

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

	Consolidated					
	2020			2019		
	Carrying amount	Fair value	Fair value hierarchy level	Carrying amount	Fair value	Fair value hierarchy level
<b>Assets</b>						
<b>Measured at amortized cost</b>						
Cash and cash equivalents (Note 4)	27,530	27,530	2	31,555	31,555	2
Trade receivables, net (Note 6)	107,188	107,188	2	60,361	60,361	2
<b>Fair value through profit or loss</b>						
Cash and cash equivalents (Note 4)	192,140	192,140	2	293,722	293,722	2
Marketable securities (Note 5)	601,149	601,149	2	280,182	280,182	2
<b>Liabilities</b>						
<b>Measured at amortized cost</b>						
Loans and financings (Note 12)	830,776	868,901	2	519,870	550,140	2
Trade payables (Note 13)	217,616	217,616	2	286,432	286,432	2
Corporate payables (Note 15)	15,824	15,824	2	23,760	23,760	2
Lease liabilities (Note 14)	791,331	791,331	2	693,209	693,209	2

### 33. Share-based compensation plan

In the year ended December 31, 2020, the Company recognized the amount of R\$ 9,824 (R\$ 4,315 as at December 31, 2019) of expenses arising from the stock option plans, recorded in line item General and administrative expenses (Note 26).

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

#### 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 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, 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.

In addition to this plan, on October 30, 2019, 564,950 options were granted considering the same assumptions, in five (5) tranches, as shown in the table below, with an estimated fair value equivalent to the price of BKBR3 on the grant date.

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

	Third Plan							Total
	First tranche	Second tranche	Third tranche	Fourth tranche	Fifth tranche	Sixth tranche	Seventh tranche	
Grant date	06/22/2017	06/22/2017	10/30/2019	10/30/2019	10/30/2019	10/30/2019	10/30/2019	N/A
Vesting date	07/14/2020	07/14/2021	10/30/2019	07/14/2020	07/14/2021	07/14/2022	07/14/2023	N/A
Strike price	10.82	10.82	10.82	11.37	12.14	12.95	13.82	N/A
Strike price (estimated) at the reporting period	10.90	10.90	10.90	10.90	10.90	10.90	10.90	10.90
Risk-free interest rate %	9.87%	10.24%	5.40%	4.42%	4.70%	5.19%	5.64%	N/A
Contractual period by tranche	1 year	2 years	N/A	1 year	2 years	3 years	4 years	N/A
Expected return of dividend	0%	0%	0.40%	0.40%	0.40%	0.40%	0.40%	N/A
Volatility of shares in the market %	14.91%	14.91%	23.47%	23.47%	23.47%	23.47%	23.47%	N/A
Total number of options outstanding	1,467,064	1,532,800	112,990	112,990	112,990	112,990	112,990	3,564,814
Number of options vested	1,467,064	-	112,990	112,990	-	-	-	1,693,044
Number of options lost/expired	187,404	225,300	12,600	12,600	12,600	12,600	12,600	475,704
Number of options exercised (2018 and 2019)	1,942,278	-	-	-	-	-	-	1,942,278
Number of options vested	1,456,418	1,307,500	100,390	100,390	100,390	100,390	100,390	3,265,868
Estimated fair value (R\$/share)	1.08	1.53	7.88	7.62	7.45	7.49	7.64	N/A

### 33. Share-based compensation plan

#### Third Plan--Continued

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

	<u>First Plan</u>	<u>Second Plan</u>	<u>Third Plan</u>	<u>Total</u>
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	<u>2,428,550</u>	<u>1,256,849</u>	<u>5,070,849</u>	<u>8,756,248</u>
Granted	-	-	564,950	564,950
Exercised	(2,428,550)	(1,256,849)	(1,894,227)	(5,579,626)
Outstanding as of December 31, 2020	<u>-</u>	<u>-</u>	<u>3,741,572</u>	<u>3,741,572</u>
Canceled	-	-	(475,704)	(475,704)
Outstanding as of December 31, 2020	<u>-</u>	<u>-</u>	<u>3,265,868</u>	<u>3,265,868</u>
Vested as of December 31, 2020 (Note 22)	<u>-</u>	<u>-</u>	<u>1,693,044</u>	<u>1,693,044</u>

#### Fourth Plan

On March 22, 2019, the Extraordinary General Meeting approved the Company's Stock Option Plan. The Fourth Plan aims to grant participants the opportunity to receive common shares issued by the Company in order to: (a) encourage the expansion, success and achievement of the Company's corporate objectives, corporate goals and the interests of its shareholders, encouraging the integration of the Participants into the Company; (b) increase the medium and long-term alignment of participants' interests with shareholders' interests, enhancing participants' sense of "ownership" and commitment through the concept of investment and risk; (c) strengthen the incentives for long-term permanence and stability of the Company's participants; and (d) attract new talents to the Company.

The maximum number of Virtual Restricted Shares that may be granted to participants under this Plan is limited to 1,839,905 Virtual Restricted Shares (the "Quantitative Limit"). Any change in the Quantitative Limit will depend on the approval of the General Meeting.

The Fourth Plan was divided into two programs:

#### First Program

- (i) The grace period will end on January 1, 2022 in respect of 50% of the Virtual Restricted Shares to be granted under said Program; and
- (ii) The grace period will end on January 1, 2023 for the remaining 50% of the Virtual Restricted Shares to be granted under the same Program;

### **33. Share-based compensation plan**

#### Fourth Plan--Continued

##### Second Program

- (i) The grace period will end on January 1, 2023 in respect of 50% of the Virtual Restricted Shares to be granted under said Program; and
- (ii) The grace period will end on January 1, 2024 for the remaining 50% of the Virtual Restricted Shares to be granted under the same Program;

##### Fifth Plan

On July 31, 2020, the Extraordinary General Meeting approved the Company's Stock Option Plan. The Fifth Plan aims to grant participants the opportunity to receive common shares issued by the Company in order to: (a) encourage the expansion, success and achievement of the Company's corporate objectives, corporate goals and the interests of its shareholders, encouraging the integration of the Participants into the Company; (b) increase the medium and long-term alignment of participants' interests with shareholders' interests, enhancing participants' sense of "ownership" and commitment through the concept of investment and risk; (c) strengthen the incentives for long-term permanence and stability of the Company's participants; and (d) attract new talents to the Company.

The maximum number of Virtual Restricted Shares that may be granted to participants under this Plan is limited to 1,857,170 Virtual Restricted Shares (the "Quantitative Limit"). Any change in the Quantitative Limit will depend on the approval of the General Meeting.

The Fifth Plan was divided into two programs:

##### First Program

- (i) The grace period will end on January 1, 2024 in respect of 50% of the Virtual Restricted Shares to be granted under said Program; and
- (ii) The grace period will end on January 1, 2025 for the remaining 50% of the Virtual Restricted Shares to be granted under the same Program.

##### Second Program

- (i) The grace period will end on January 1, 2025 in respect of 50% of the Virtual Restricted Shares to be granted under said Program; and
- (ii) The grace period will end on January 1, 2026 for the remaining 50% of the Virtual Restricted Shares to be granted under the same Program.

## BK Brasil Operação e Assessoria a Restaurantes S.A.

Years ended December 31, 2020 and 2019

Notes to the financial statements (In thousands of reais)



### 34. Insurance

As at December 31, 2020, the Company had the following insurance policies in effect:

<u>Insured location</u>	<u>Maximum indemnity limit</u>
Civil Liability of Directors and Officers (D&O)	50,000
General Civil Liability	40,000
Property (RO) – Average	10,216
Professional Civil Liability (E&O)	15,000

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**Officer's Statement on the Financial Statements**

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

We state hereby, as executive officers of BK Brasil Operação e Assessoria a Restaurantes S.A., a publicly-held corporation headquartered in the City of Alphaville – Barueri, State of São Paulo, at Alameda Tocantins, 350, 11º floor, registered under the Corporate Taxpayer's ID (CNPJ) No. 13.574.594/0001-96 ("Company") that, in compliance with the provisions of item VI, paragraph 1, of article 25 of CVM Instruction 480 of December 7, 2009, we have reviewed, discussed and agreed with the Company's financial statements for the year ended December 31, 2020.

Barueri, February 25, 2021.

Iuri 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 VI, OF CVM INSTRUCTION 480/09**

We state hereby, as executive officers of BK Brasil Operação e Assessoria a Restaurantes S.A., a publicly-held corporation headquartered in the City of Alphaville – Barueri, State of São Paulo, at Alameda Tocantins, 350, 11º floor, registered under the Corporate Taxpayer's ID (CNPJ) No. 13.574.594/0001-96 ("Company") that, in compliance with the provisions of item VI, paragraph 1, of article 25 of CVM Instruction 480 of December 7, 2009, we have reviewed, discussed and agreed with the opinions expressed in the independent auditor's report of Ernst & Young Auditores Independentes S.S., referring to the Company's financial statements for the year ended December 31, 2020.

Barueri, February 25, 2021.

Iuri de Araújo Miranda  
Chief Executive Officer

Clayton de Souza Malheiros  
Chief Financial Officer

## **SUMMARY OF THE AUDIT COMMITTEE REPORT**

### **CONSOLIDATED FINANCIAL STATEMENTS OF BK AT DECEMBER 31, 2020**

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

The Audit Committee is composed by three members elected by the Board of Directors and its Chairman is an independent member of the Board of Directors. The coordinator is a financial specialist with large experience in financial accounting, internal controls, risk and audit; One other member is an external independent member and is also a very experienced specialist in all these areas. The third member of the committee, not independent, is a specialist in the Quick Service Restaurants business.

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

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

In 2020, thirteen (13) meetings (in 2019, 5 meetings) were held, being four (4) ordinary meetings (in 2019, 5 meetings) and nine (9) extraordinary meetings. Its activities during that period are described below:

**Monitoring of Internal Audit activities:** In 2020, the Internal Audit performed 100% of the work planned for the year, in addition to other extraordinary activities. As part of its work, the Internal Audit held meetings with Management in order to align the audit findings and its action plans.

During the year, all the work carried out by the Internal Audit was shared with the Audit Committee, which made recommendations to improve the scope and objective of the work and to improve the internal control systems and management of the company's risks.

During the year ended, training was provided for the entire team, with an emphasis on specific issues that are important for the development of a career in Internal Audit.

The Committee has formally assessed the performance of the Internal Audit during 2020. Recommendations for improvement were discussed with the internal audit manager.

**Monitoring of External Audit activities:** Ernst & Young Auditores Independentes (EY) was the firm responsible for auditing the financial statements for the year 2020, for planning and performing its work in accordance with auditing standards, and is also responsible for the limited reviews of quarterly financial information (ITRs) filed with the Securities and Exchange Commission of Brazil – CVM and with B3 Stock Exchange

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

BKB has a policy for hiring its independent accountants to perform services other than the audit of the financial statements. This policy was approved by the Board of Directors at a meeting held on November 14, 2017. The contracting of any other services not provided for in the Policy may be extraordinarily approved by the Audit Committee, and all such cases are also reported to the Board. In 2020, EY was engaged to review social security and tributary credits in support of the audit and the issuance of a comfort letter on followon procedures in the amount equivalent to 154% of the fees for audit of the financial statements, which were assessed by the Committee as bearing no impact in their independence as auditors as these were audit related procedures.

The Committee carried out a formal assessment of the independent auditors and concluded that they maintained their independence and objectivity throughout 2020. The Committee recommends to the Board of Directors the maintenance of EY as the Company's Independent Auditors.

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

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

**Monitoring of communications received by the Whistleblower Channel:** the Company's Whistleblowing Channel is outsourced to a specialized company. The reported cases are sent to the Compliance Area, which investigates them. Periodically the Internal Audit presents to the Audit Committee an overview of the reported and investigated cases. The Internal Audit also participates in the Audit Committee meetings and monitors the analyses performed. Any reported cases related to fraud are timely informed to the Audit Committee. The process of investigation and monitoring of reported cases is defined through a Manual for Handling of Reported Cases and the Company's Code of Ethical Conduct. These materials were reviewed and approved by the Audit Committee and by the Board of Directors in their meeting of February 12, 2020.

**Conclusion:** Considering the scope and its inherent limitations on its activities, and based on the information and discussions mentioned above, as well as on the report issued on February 25, 2021 by the Ernst & Young Independent Accountants S.S. – the Audit Committee recommends that the Board of Directors approves the financial statements of BK Brasil Operações e Assessorias a Restaurantes S.A. for the year ended December 31, 2020.

São Paulo, February 25, 2021.

***Henrique F. Luz***

Coordinator of the Audit Committee

***Thiago Temer Santelmo***

***Jorge Roberto Manoel***