Individual and Consolidated Interim Financial Information

International Meal Company Alimentação S.A.

December 31, 2020
with Independent Auditor's Report

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A free translation from Portuguese into English of the Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers
International Meal Company Alimentação S.A.
São Paulo – SP

Opinion

We have audited the individual and consolidated financial statements of International Meal Company Alimentação S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of International Meal Company Alimentação S.A. as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended, 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).

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 individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by 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 provide a basis for our 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 for the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not 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 testing

According to the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), the Company is required to annually test amounts recorded as goodwill for impairment in order to determine any loss in its recoverable amount. As disclosed in Note 14, the Company carried goodwill in the amount of R$698,910 thousand, which accounts for 25% of the Company’s consolidated assets at December 31, 2020.

Goodwill impairment testing was assessed as a key audit matter given the materiality of the amount involved and that it is conducted based on various assumptions and criteria, including market projections as sales growth rates at stores, discount rates and estimated margin to determine the value in use, which are complex and subjective, and require the use of judgment by the Company management. Specifically for the year ended December 31, 2020, there were new elements that further increased the degree of subjectivity in determining such projections that are related to (i) judgment by management, with the support of the Company’s external legal advisors, in assessing the chances of success in the lawsuit involving the maintenance of the KFC master franchise contract in Brazil , as disclosed in Note 36, and (ii) impacts of the Covid-19 pandemic on the Company’s operating activities and future cash flows.

How our audit addressed this matter:

Our audit procedures included, among others, periodic discussions with the Company management on the impact of the crisis caused by the Covid-19 pandemic on operations, the involvement of valuation specialists to help us test goodwill for impairment and determine whether the discounted cash flow model, assumptions and methodologies used by the Company were adequate. We involved legal experts to assist us in analyzing the progress of the legal proceeding and the legal opinion of the Company’s external legal advisors on the likelihood of maintaining the master franchise contract. The growth rate and margin assumptions used by the Company were compared with those reported or estimated by similar companies, in addition to other procedures performed to assess the reasonableness of these assumptions and the completeness of the information used by the Company. We also focused on the adequacy of the Company disclosures of more sensitive assumptions used in the impairment test, i.e. those more significantly affecting the determination of the goodwill recoverable amount.

Additionally, we compared the recoverable amount determined by the Company management based on the discounted cash flows per cash generating unit with the corresponding carrying amount of the cash generating unit, which includes goodwill, and assessed whether the disclosures in Note 14 to the financial statements are adequate.

Based on the results of the audit procedures performed on the annual impairment testing of goodwill, which is consistent with management's assessment, we consider that the criteria, judgment and assumptions adopted by management in testing goodwill for impairment, as well as the respective disclosures in Note 14, are acceptable, in the context of the overall financial statements.

Recoverability of deferred income and social contribution taxes

As disclosed in Note 23, the Company accounted for deferred income and social contribution taxes amounting to R$214,009 at December 31, 2020, computed on temporary differences, and income and social contribution tax losses. The Company assessed the recoverability of deferred income and social contribution tax asset balances based on taxable profit projections. We consider that this is a key audit matter as such assessment involves a high degree of professional judgment by management, based on assumptions and criteria used in determining taxable profit projections, which are affected by future market expectations and economic conditions, especially considering the impacts of the Covid-19 pandemic on the Company's operating activities.

How our audit addressed this matter:

Our procedures included, among others, the involvement of valuation and tax specialists to help us assess the assumptions and methodology used by the Company, particularly those related to future taxable profit projections. Future taxable profit projections were prepared based on the Company's business plan, which was approved by management bodies. We further assessed the adequacy of disclosures relating to this matter in Note 21.

Based on the result of our audit procedures on the recoverability of deferred income and social contribution tax assets, which is consistent with management's assessment, we consider that the criteria and assumptions adopted by management, as well as the respective disclosures in Note 21, are acceptable, in the context of the overall 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 the 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 the 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 comprise 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 accounting practices adopted in Brazil and in with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal controls 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 future 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.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 those regarding independence, and communicated 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, March 29, 2021.

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

Antonio Humberto Barros dos Santos
Accountant CRC-1SP161745/O-3

MANAGEMENT REPORT

MESSAGE FROM MANAGEMENT

The year of 2020 was certainly the most challenging year in IMC history. The advent of the Covid-19 pandemic and the restrictions adopted by governments in each of the regions where we operate have significantly affected our business. Since the beginning of the pandemic, in mid-March, we have been committed to the implementation of operational measures that allow the operation of our restaurants and that follow all hygiene and safety protocols, in order to preserve the health of our employees and customers. During this period, we seek to take actions to strengthen our cash generation and, together with the review of the capital structure, build solid bases for accelerated growth in the near future. We also took advantage of this moment to implement processes and establish partnerships that enable the rapid expansion of the number of stores. The results of the year were, of course, very impacted in all the regions where we operate, with sales in the same stores negative by 26.9%. The second wave of the pandemic and the new restriction measures continued to affect the Company throughout the first quarter of 2021, keep monitoring the evolution of the pandemic with attention to adopt all needed means to minimize the impact over Companies activities. To lead the company in this new phase, which requires a greater focus on operational excellence and the consumer experience, Alexandre Santoro takes over as Global CEO of IMC from April 1st.

We ended 2020 with consolidated net revenue, reducing 28% to R$ 1.15 billion, given that the advent of the Covid-19 pandemic and the restrictions adopted by governments in each of the regions where we operate have significantly affected our business. Our gross profit reached R$ 275.4 million with a margin of 24%, representing a decrease of 8 pp. compared to 2019. Consolidated adjusted EBITDA reached R$ 35.2 million in 2020, a reduction of 85% compared to 2019, reaching a margin of 3.1%. The net loss for the year was R$ 473.6 million, compared to a loss of R$ 15.8 million last year. The consolidated result reflects the performance of our three regions in which we operate: Brazil, the United States and the Caribbean.

In Brazil, our highway business, represented by Frango Assado, showed a reduction in revenue and a decrease in margin due to reduced flow on the highways and the temporary closure of some operations. Our airport, restaurant and catering business was impacted by the reduction in the number of flights and passengers at airports due to the Covid-19 pandemic and, finally, our mall business, which showed an increase in revenue with the addition of the Pizza brands. Hut and KFC at the end of 2019, but decreased operating income due to the temporary closure of stores throughout the year. Our Caribbean operation, represented by restaurants at Tocumen airport in Panama and 7 catering operations in Colombia, was impacted by the reduction in the flow of passengers and the number of flights.

In the United States, where we operate with restaurants mainly under the Margaritaville brand, the results were also impacted by the temporary closure of stores and restrictions on opening hours.

For more details, visit our page http://ri.internationalmealcompany.com/

Consolidated Results

	2020	2019	Var%
Net Revenues	**1,153.7**	**1,603.3**	**-28.0%**
Gross profit	**271.5**	**512.7**	**-47.1%**
Net earnings	**(473.60)**	**(15.80)**	**-2889.4%**

Net Revenues

In the year 2020, IMC obtained a net revenue of R$ 1.15 billion, a decrease of 28% compared to the year 2019, mainly due to the temporary closing of stores and restrictions on opening hours in all regions where we operate due to Covid-19.

Costs of Sales and Services

In 2020, the Company had a total cost of sales and services of R$ 878.3 million, representing 24.5% of net revenue compared to 25.2% in 2019, therefore a reduction of 0.8 pp.

Gross Profit

In view of the above, the Gross Profit of the BMI reached R$ 271.5 million in 2020, a reduction of 47.1% in relation to 2019, representing a gross margin of 24.0%, 0.8 pp below the registered in 2019.

Operating Expenses

Sales and Operating Expenses: It was totaled R$ 231.7 million in 2020, which represents a decrease of 7.9% in relation to 2019.

General and administrative expenses: It was totaled R$ 124.9 million in 2020, compared to R$ 135.1 million in the same period of the previous year, which represents a 7.6% REDUCTION.

Depreciation and Amortization: It was increased from R $ 99.6 million in 2019 to R $ 117.6 million in 2020, which represents an increase of 18%.

Impairment: In 2020 it was totaled R$ 327.4 million compared to R$ 3.9 million in 2019. The increase is mainly due to the impairment of the goodwill generated in the acquisitions of the operations of Viena, Batata Inglesa and Airports in Brazil, due to the reduction of the recoverable value of these assets due to the definitive closing of stores and changes in the prospects of these businesses.

Other income (expenses): In 2020, other net operating income / expenses totaled an expense of R$ 24.1 million, compared to a revenue of R$ 17.1 million in 2019.

Equity Income: In 2020 there was a reduction of 127.5% in equity income result, which totaled an expense of R$ 2.7 million compared to a revenue of R$ 9.8 million in 2019.

Financial Result: In 2020 was a negative R$ 51.1 million, compared to a negative R$ 57.4 million in 2019.

Income Taxes

The total of income tax and social contribution was revenue of R$ 134.4 million in 2020, compared to a tax expense of R$ 7.9 million in 2019.

Net Income (Loss)

Consequently, IMC presented in 2020 a net loss from continuing operations of R$ 473.6 million compared to a loss of R$ 15.8 million in 2019.

Relationship with external auditors

In compliance with CVM Instruction 381/03, the Company informs that its policy for contracting services not related to the independent audit is based on the principles that preserve the auditor's independence. In the fiscal year ended December 31, 2020, Ernst & Young Auditores Independentes SS was contracted to perform services not related to the independent audit: (i) issue of a report on Pre-Agreed Procedures at the subsidiary IMCMV and (ii) issue comfort letters and the application of procedures in accordance with CTA 23, exclusively with respect to their analysis of the Company's individual and consolidated financial statements, for the years ended December 31, 2019, 2018 and 2017 and the Quarterly Information - The Company's individual and consolidated ITRs, for the three-month periods ended March 31, 2020 and 2019, related to the primary distribution offering of common shares, with restricted placement efforts, pursuant to the Securities and Exchange Commission Instruction (“ CVM ”) No. 476, of January 16, 2009, as amended (“CVM Instruction 476 ”) - representing the amount of R $ 1,275,274, approximately 41.6% of the amount of the consolidated fees related to the independent audit for International Meal Company Comida S.A. and its subsidiaries.

Ernst & Young Auditores Independentes S.S. communicated to us that the provision of such services did not affect its independence and objectivity, due to the definition of the scope and procedures performed.

1. General information

1.1. Operations

International Meal Company Alimentação S.A. (“Company”), headquartered at Avenida das Nações Unidas, 4.777, 12o andar, in the city of São Paulo, State of São Paulo, established in 1965, is a publicly-held company with shares traded on B3 S.A. – Brasil. Bolsa, Balcão (“B3”) under the ticker symbol “MEAL3” and listed in the Novo Mercado (New Market) segment.

The Company and its subsidiaries (“Group”) are engaged in the sale of food and beverages to restaurants, snack bars and coffee shops (“stores”), sale of food for airline catering services (“catering”) and operation of franchises of the Pizza Hut and KFC brands. The Group also subleases stores and spaces for promotional and commercial purposes in its store chain, with the sale of fuel, and provides general services related to these segments.

As of December 31, 2020, the Group has operations in Brazil, Panama, Colombia and the United States of America.

1.2. Acquisition of MultiQSR

On October 31, 2019, the following events took place: consummation and closing of the incorporation of the shares issued by MultiQSR Gestão de Restaurantes S.A. (“MultiQSR”) by the Company (“Merger”), as approved at the Company's Extraordinary General Meeting held on August 28, 2019, whereby the Martins Family became shareholders of the Company holding 29,387,930 common shares issued by the Company; and the subsequent transfer of 4,077,931 common shares of the Company from the Martins Family to Kentucky Fried Chicken International Holdings LLC and Pizza Hut International LLC, companies that hold the rights of master franchises of KFC and Pizza Hut brands and subsidiaries of Yum! Brands Inc, (“Yum!”), Yum! Now holds 2.08% of the Company's capital and the Martins Family now holds 12.92% of the Company's capital. MultiQSR has a contract with Yum!, through which it can operate exclusively the KFC and Pizza Hut brands in Brazil

This transaction was recorded as a business combination, based on the requirements of CPC 15 (R1) - Business Combination (equivalent to IFRS 3 - Business Combinations). See additional details in Note 5.

Pursuant to the Material Fact disclosed on December 18, 2020, the Company submitted a request for arbitration to the Market Arbitration Chamber against the signatories of the Association Agreement executed by the Company on July 25, 2019, in order to discuss certain valuation adjustments included therein, in favor of IMC. The arbitration was suspended due to an initiative of the signatories of the Association Agreement on February 15, 2021, for negotiations to reach an agreement.

2. Preparation and presentation of the Financial Statements

a) Statement of compliance

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board - IASB, and are presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of financial statements.

b) Basis of preparation

The individual and consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs are unobservable inputs for the asset or liability.

The significant accounting policies applied in the preparation of these individual and consolidated financial statements are set out in Note 3. These policies have been applied in a manner consistent with the prior years reported, unless otherwise indicated.

All significant information specific to the financial statements is being disclosed and corresponds to the information used by Management in managing the Company's activities.

c) Going concern

Management has assessed the Company's ability to continue as a going concern and believes that it has resources to continue its businesses in the future. In addition to that, Management is not aware of any material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the assumption that the Company will continue as a going concern. See below the considerations and analyses of the impacts of Covid-19 on the Company's operations.

2. Preparation and presentation of the Financial Statements - Continued

2.1. Analysis of the effects of COVID-19

On January 30, 2020, the World Health Organization (WHO) announced that the “new-corona virus” (COVID-19) is a global health emergency. The outbreak triggered significant decisions by governments and private sector entities, which, added to the potential impact of the outbreak, increased the degree of uncertainty about the amounts recognized in the financial statements.

On March 10, 2020, the Brazilian Securities and Exchange Commission (CVM) issued Official Letter CVM/SNC/SEP 02/20, instructing Publicly-held Companies to carefully assess the impacts of COVID-19 on their businesses and report in the financial statements the main risks and uncertainties arising from such assessment, observing the applicable accounting standards.

In this sense, among the several risks and uncertainties to which the Company is exposed, Management has paid particular attention to economic events related to going concern and/or to accounting estimates used, such as: recoverability of financial and non-financial assets, income taxes, measurement of lease assets and liabilities, fair value measurement, provisions and contingent liabilities, recognition of revenue and liquidity, and compliance with financial commitments.

In accordance with the guidance of the Brazilian Securities and Exchange Commission - CVM, through OFÍCIOCIRCULAR/CVM/SNC/SEP nº 02/2020 of March 10, 2020 and OFÍCIO-CIRCULAR/CVM/SNC/SEP/n.º 01/2021 of January 29, 2021, the Company and its subsidiaries assess and observe the risks and uncertainties arising from the current pandemic scenario, always considering the applicable accounting standards, where their main concern throughout all quarters of the year was the preservation of the cash, aiming to guarantee the functioning of its entire operation.

The detailed assessments and conclusions regarding the impacts of the pandemic on the main transactions of the Company are presented below.

<u>Impairment of financial assets (NBC TG 48)</u>

As disclosed in Note 7 - Financial instruments, the Company is subject to credit risk regarding its balances of cash and cash equivalents, financial investments, receivables from credit card company and receivables from franchisees and airlines.

Financial investments and bank deposits

The Group has amounts invested in financial institutions totaling R$ 537,581. These funds are held at solid financial institutions and, although in the current scenario there is a possibility of an increase in the default of its customers, there are no indications of a significant increase in the credit risk of these counterparties. In addition, it should be noted that the Central Bank of Brazil has implemented several measures to increase the liquidity of financial institutions, so that no loss is expected due to the pandemic.

2. Preparation and presentation of the Financial Statements - Continued

2.1. Analysis of the effects of COVID-19--Continued

Trade receivables (allowance for expected credit losses)

The credit risk of the balance of “trade receivables” is mitigated by the fact that approximately 70% of the Group's sales are made through debit and credit cards. Concentration of operations on the main credit card companies, normally linked to solid financial institutions.

Consequently, the Company considers that the risk of default by credit card companies is extremely low and that the effects of the pandemic on these counterparties are not significant and, therefore, no additional loss is expected.

Transactions with airlines have been reduced due to decisions from government and private sector entities to prevent the spread of the disease, additionally, the risk decreases due to the dependence of suppliers such as IMC.

As of June 30, 2020, Management reassessed the sufficiency of its provision for impairment on credits with such airlines, including receivables from franchisees, and elected to set up a provision for impairment in the total amount of receivables from the airline Avianca, which filed for in-court reorganization.

As of December 31, 2020, Management reassessed the allowance for expected credit losses with this airline, including receivables from franchisees, and concluded that the amount recorded in the period was sufficient.

<u>Impairment of non-financial assets (NBC TG 01 R4)</u>

Inventories

The operations of the food trade sector, the Company’s main activity, were considered essential by the public authorities, allowing the realization of the Company's inventories through the partial operation of some stores, notably those located on highways or through delivery in restaurants.

Thus, as in stores, the distribution center and carriers were authorized to operate, through the adoption of measures to contain the spread of the virus. In compliance with the guidelines of the authorities, the Company started to place its purchase orders with suppliers, but in a reduced volume, and these continue to be delivered normally, with no interruption in the supply chain.

As of December 31, 2020, Management revised the calculation of the provision for losses on perishable and/or slow-moving inventories and adjusted its balance to R$ 1,931.

2. Preparation and presentation of the Financial Statements - Continued

2.1. Analysis of the effects of COVID-19--Continued

Analysis and impairment of assets with indefinite useful lives

Management monitors the future cash flow generation capacity of its segments to ensure that the discounted cash flows at present value are not lower than the carrying amount of business units, including goodwill.

The Company performed impairment test at June 30, 2020 and revised the calculation at December 31, 2020, considering, among other factors, the market value-to-book value ratio to identify indications of impairment.

The impacts of these analyses are presented in Note 14.

Income tax (NBC TG 32 R4)

The Company updated to June 30, 2020, the projections and analyzes carried out on the recoverability of taxes on profit, considering the effects of COVID-19, and identified the need to set up a provision for the non-realization of the deferred tax balance recorded in the Parent company, on tax loss and temporary difference, in the amount of R $ 10,299, as it concludes that there would be no generation of future tax profits, to offset such credits for the next 10 years. As of December 31, 2020, the Company reviewed these analysis and did not identify any adjustments to be made.

Measurement of lease assets and liabilities (NBC TG 06-R3)

Management is assessing, on a preventive basis, cash preservation measures, such as the deferral or reduction of rents related to properties that are temporarily closed.

The Brazilian Securities and Exchange Commission (CVM) issued, on July 7, 2020, CVM Resolution 859, which approves the Document for Revision of Technical Pronouncements 16. The document approves and makes mandatory for publicly-held companies the amendments to Technical Pronouncement NBC TG 16, issued by the Brazilian Accounting Standards (NBC), and is related to the revision approved by the International Accounting Standards Board (IASB) in 2020, in view of the impacts caused on leases due to the COVID-19 pandemic.

The impacts of this resolution are presented in Note 15, as established by the new paragraphs included in the aforementioned standard.

Fair value measurement

Given the nature of the transactions, Management considered that COVID-19 does not have impacts on the fair value measurement of our operations.

Provisions and contingent liabilities

Management assessed the nature of provisions and contingent liabilities and concluded that COVID-19 has no impact on the accounting measurement of these transactions.

(Amounts in thousands of reais - R$, unless otherwise stated)

2. Preparation and presentation of the Financial Statements - Continued

2.1. Analysis of the effects of COVID-19--Continued

Revenue recognition

Management assessed the revenue recognition criteria, as well as the existence of any changes in the return policies or other performance commitments assumed with our customers and considering and concluded that COVID-19 did not have impacts on the Group's revenue recognition criteria.

Operational continuity

Management assessed its ability to continue operating, through the realization of a stressed cash flow with the scenario considered until December 31, 2021. Based on the analysis carried out, Management concluded that there is no indication that its capacity for operational continuity could be compromised, concluding that the Group has full capacity to continue with its operational activities, normally.

In addition, as disclosed in Note 22, there was a capital increase of R$ 384 million in July 2020, and such amount will be used for working capital improvement and investments.

This note should be read together with Note 18 - Government Grant, as the latter minimizes the effects of the pandemic of the new coronavirus (COVID-19).

3. Significant accounting policies

The significant accounting policies described below have been consistently applied for all reporting years in the individual and consolidated financial statements.

a) Foreign currency

a.1) Functional and reporting currency

The financial statements of each subsidiary included in the consolidated financial statements are prepared based on the functional currency of each entity. The functional currency of an entity is the currency of the primary economic environment in which it operates. The Company defines the functional currency of each of its subsidiaries analyzing which currency significantly influences the sales price of its products and services and the currency in which most of its operating and administrative costs is paid or incurred, as follows:

Country	Functional currency
Brazil	Real - R$
United States of America	US Dollar - US$
Panama	Balboa - PAB$
Colombia	Colombian Peso - COP$

3. Significant accounting policies--Continued

a) Foreign currency--Continued

a.1) Functional and reporting currency

The financial statements are presented in Reais (R$), which is the Group's reporting currency.

a.2) Transactions and balances

The Group recognizes transactions in foreign currency at the rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the end of the reporting period and exchange differences are recognized in the statement of profit or loss, as finance expense or income, as they arise.

a.3) Foreign subsidiaries

The results of operations and the financial position of all subsidiaries included in the financial statements that have a functional currency different from the reporting currency are translated into the reporting currency, as follows:

(i) Assets and liabilities are translated into reais at the exchange rate prevailing at the end of the reporting period.

(ii) Income and expense accounts are translated at the average monthly exchange rate.

(iii) All currency translation differences are recognized in the statement of comprehensive income in line item "Translation adjustments in the balance sheet of foreign subsidiaries" and accumulated in equity.

b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control over an entity is achieved when the company has the power to govern the financial and operating policies of an entity so as to benefit from its activities. Control over an entity is achieved when the company has the power to govern the financial and operating policies of an entity so as to benefit from its activities.

When necessary, the subsidiaries' and joint ventures' financial statements are adjusted to conform their accounting policies to those set by the Group.

All intragroup transactions, balances, income, and expenses were fully eliminated in the consolidated financial statements.

In the Company´s individual financial statements, investments in subsidiaries and joint ventures are accounted for under the equity method.

3. Significant accounting policies--Continued

b) Basis of consolidation--Continued

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss from the acquisition date to the disposal date, as appropriate.

The companies included in the consolidated financial statements are as follows:

	12/31/2020		12/31/2019	
	Direct interest - %	Indirect interest - %	Direct interest - %	Indirect interest - %
IMC Puerto Rico Ltd. (Bermudas)	100.00	-	100.00	-
International Meal Company Panamá, S.A. (Panama)	-	100.00	-	100.00
International Meal Company F&B Panamá, S.A. (Panama)	-	100.00	-	100.00
IMC Airport Shoppes S.A.S. (Colombia)	-	100.00	-	100.00
Pimenta Verde Alimentos Ltda. (Brazil)	99.99	0.01	99.99	0.01
Niad Restaurantes Ltda. (Brazil)	63.95	36.05	63.95	36.05
Centro de Serviços Frango Assado Norte Ltda. (Brazil)	91.30	8.70	91.30	8.70
Tob’s Lanches Sul Ltda. (Brazil)	-	-	99.99	0.01
Brivido Comércio de Alimentos Ltda. (Brazil)	99.99	0.01	99.99	0.01
Multi QSR Gestão de Restaurantes S.A (Brazil)	-	-	99.99	0.01
Multi PHSR Participações Ltda. (Brazil)	-	-	-	100.0
Multi KSR Participações Ltda. (Brazil)	-	-	-	100.0
PHSR Master Franquia Ltda. (Brazil)	-	100.0	-	100.0
PHSR Gestão de Restaurantes Ltda. (Brazil)	-	-	-	100.0
KSR Master Franquia Ltda (Brazil)	-	100.0	-	100.0
Inventure Restaurantes Ltda. (Brazil)	-	-	-	100.0

(Amounts in thousands of reais - R$, unless otherwise stated)

3. Significant accounting policies--Continued

b) Basis of consolidation--Continued

	12/31/2020		12/31/2019	
	Direct interest - %	Indirect interest - %	Direct interest - %	Indirect interest - %
PHSR Campinas Barão Geraldo Restaurantes Ltda. (Brazil)	-	-	100.00	-
PHSR Campinas Chácara Primavera Restaurante Ltda.	-	-	100.00	-
Miller Fast Food Alimentos Ltda	-	-	100.00	
IMC Caribbean Holding Corp (Puerto Rico)	-	100.00	-	100.00
United States of America:				
IMCMV Holdings Inc.	100.00	-	100.00	-
IMCMV Atlantic City, LLC	-	100.00	-	100.00
IMCMV Destin, LLC	-	100.00	-	100.00
IMCMV Connecticut, LLC	-	-	-	100.00
IMCMV Key West Store, LLC	-	-	-	100.00
IMCMV Key West Cafe, LLC	-	100.00	-	100.00
IMCMV MB Landshark, LLC	-	100.00	-	100.00
IMCMV LV, LLC	-	100.00	-	100.00
IMCMV Chicago, LLC	-	100.00	-	100.00
IMCMV Panama City, LLC	-	100.00	-	100.00
IMCMV Myrtle Beach, LLC	-	100.00	-	100.00
IMCMV Nashville, LLC	-	100.00	-	100.00
IMCMV Pigeon Forge, LLC	-	100.00	-	100.00
IMCMV Orlando, LLC	-	100.00	-	100.00
IMCMV Syracuse, LLC	-	100.00	-	100.00
IMCMV MIA Airport, LLC	-	100.00	-	100.00
IMCMV Management, LLC	-	100.00	-	100.00
IMCMV Hospitality, LLC	-	100.00	-	100.00
IMCMV Baltimore, LLC	-	100.00	-	100.00
IMCMV Cleveland, LLC	-	100.00	-	100.00
IMCMV San Antonio, LLC	-	100.00	-	100.00
IMCMV Atlanta, LLC	-	100.00	-	100.00
IMCMV Texas, LLC	-	100.00	-	100.00
IMCMV Daytona, LLC	-	100.00	-	100.00
IMCMV New Orleans, LLC	-	100.00	-	50.00
IMCMV MOA, LLC	-	100.00	-	65.00
IMCMV WH, LLC	-	100.00	-	-
IMCMV Times Square, LLC	-	100.00	-	-
IMCMV Branson, LLC	-	100.00	-	-
Landshark Bayside, LLC	-	100.00	-	-
IMCMV LS Rivercenter, LLC	-	100.00	-	-
IMCMV LS Harbor Place, LLC	-	100.00	-	-
IMCMV LS at Barefoot Landing, LLC	-	100.00	-	-
IMCMV Bayside Restaurant, LLC	-	100.00	-	-
IMCMV Fan Hall, LLC	-	100.00	-	-
IMCMV New Orleans, LLC	-	100.00	-	100.00
Joint venture:				
Universal City Restaurant Venture, LLC (*)	-	50.00	-	50.00

(*) Jointly controlled and classified as “joint venture”

(Amounts in thousands of reais - R$, unless otherwise stated)

3. Significant accounting policies--Continued

b) Basis of consolidation--Continued

Merger of Miller Fast Food Alimentos Ltda., PHSR Gestão e Restaurantes Ltda., PHSR Campinas Barão Geraldo Restaurantes Ltda., Inventure Restaurantes Ltda., PHSR Campinas Chácara Primavera Ltda. by Pimenta Verde Alimentos Ltda., Company's direct subsidiary, at September 30, 2020.

Merger of Multi PHSR Participações Ltda., Multi KSR Participações Ltda., Multi QSR Participações Ltda. by International Meal Company Alimentação S.A., at September 30, 2020.

For a better understanding of the amounts merged into the Parent company, see below details including a summary of the balance sheets of the merged companies:

	Multi KSR	Multi PHSR	Multi QSR	Total
Assets				
Cash and cash equivalents	5,386	-	65,009	**70,394**
Investment in companies of the group	41,646	(49,189)	(237)	**(7,779)**
Property, plant and equipment	1,724	-	-	**1,724**
Intangible assets	20,712	-	19,263	**39,976**
Related parties	1,135	-	726	**1,860**
Total assets	**70,603**	**(49,189)**	**84,761**	**106,175**
Liabilities				
Trade payables	1,033	14	2,521	**3,568**
Borrowings	-	-	2,370	**2,370**
Payable taxes	4	-	-	**4**
Contingencies	2,629	-	6,148	**8,777**
Related parties	27,482	27	12,075	**39,583**
Acquisition of company	5,000	-	2,722	**7,722**
Deferred income tax and social contribution	7,628	-	-	**7,628**
Total liabilities	**43,775**	**41**	**25,835**	**69,651**
Total net assets	**26,827**	**(49,230)**	**58,926**	**39,524**

c) Business combination

Business acquisitions are accounted for using the acquisition method. The cost of business acquisitions is calculated by the sum of the fair value (at the exchange date) of the assets transferred, liabilities incurred or assumed and the equity instruments issued by one of the Group’s companies in exchange for the control over the acquire. The acquires identifiable assets, liabilities and contingent liabilities that meet the requirements for recognition of technical pronouncement CPC 15 (R1)/IFRS 3 - Business Combinations are measured at fair value at the acquisition date.

CPC 15 (R1)/IFRS 3 changes the recognition and subsequent accounting for contingent payments. Previously contingent payments were only recognized at the acquisition date to the extent they were probable and could be measured reliably; any subsequent adjustments were charged to acquisition cost. Under the revised standard, contingent payments are measured at their acquisition-date fair value; subsequent adjustments are recognized as a balancing item to acquisition cost only to the extent that they arise from new information obtained during the measurement period (which cannot exceed twelve months from the acquisition date) about the fair value at the acquisition date. All subsequent adjustments to contingent payments that are classified as an asset or a liability are recognized in profit or loss.

3. Significant accounting policies--Continued

c) Business combination--Continued

In accordance with CPC 15 (R1)/IFRS, acquisition costs shall be recognized separately from the business acquisition, which generally results in the recognition of these costs as an expense in the statement of profit or loss, when incurred.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, which is the excess of the cost of the business acquisition over the Group's interest in the net fair value of the assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquires identifiable assets, liabilities and contingent liabilities exceeds the cost of the business acquisition, this excess is immediately recognized in profit or loss. Measurement period adjustments (which cannot exceed twelve months from the acquisition date) arise from additional information obtained about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business acquisition is incomplete by the end of the reporting period in which the acquisition occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and highly-liquid short-term investments intended to meet short-term commitments, readily convertible into cash and without significant change in value.

e) Trade receivables and allowance for doubtful accounts

Trade receivables are recognized initially at the transaction value, which corresponds to the sales value, and are subsequently measured at amortized cost. The allowance for doubtful accounts is recognized based on the expected losses by Management.

Trade receivables arising from commercial agreements result from bonus and discounts granted by suppliers, contractually established and calculated on the purchase volumes, marketing actions and assignment of advertising spaces, among others.

f) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined under the average cost method, including warehousing and handling costs, to the extent that such costs are necessary to bring inventories to their conditions for sales in stores, less bonuses received from suppliers, when applicable. Net realizable value represents the selling price in the normal course of business, less all estimated costs necessary to make the sale. Inventories are reduced by a provision for losses and breakages, when necessary, which is periodically analyzed and assessed with respect to its adequacy.

3. Significant accounting policies--Continued

g) Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Property, plant and equipment items acquired in a business acquisition was recognized at the fair value of each item, in accordance with CPC 15 (R1)/IFRS 3.

Depreciation is calculated under the straight-line method over the estimated economic useful lives of the assets, as shown below. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for prospectively. The Company reviewed the estimated useful lives of the items of its property, plant and equipment in 2020 and concluded that there are no changes to be made for this year.

Category	Useful life (years)
Buildings	25
Machinery and equipment	9 to 20
Furniture and fixtures	9 to 20
Leasehold improvements *	8 to 10
Computers, vehicles and other items	3 to 7

*The amortization is measured for the shorter of the contractual period or the useful life of the asset.

h) Intangible assets

Intangible assets consist of software acquired from and developed by third parties and/or internally, goodwill (commercial rights), customer list, catering licenses, rental agreements and trademarks. Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally-generated intangible assets, excluding capitalized software development costs, are recognized as an expense in the period in which they are incurred.

Intangible assets with finite useful lives are amortized on a straight-line basis. The amortization period and method are reviewed at least at the end of each reporting period. Changes in the estimated useful life or the expected consumption pattern of the future economic benefits incorporated into the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting assumptions.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment at the end of the reporting period or whenever there is an indication that their carrying amount will not be recovered, either individually or at the level of the cash-generating unit. The assessment is reviewed annually to determine whether the indefinite useful life continues valid. The estimated useful life would be changed prospectively from indefinite to finite. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3. Significant accounting policies--Continued

h) Intangible assets--Continued

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business acquisition are reported at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are amortized over the useful lives of the assets, as follows:

Category	Useful life (years)
Software	5
Licensing rights*	5 to 10
Leasehold rights*	5 to 27
Non-compete agreements*	10 to 12
Commercial rights*	20
Others	10

*The amortization is measured for the shorter of the contractual period or the useful life of the asset.

h.1) Impairment of goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination. Cash-generating units correspond to each business segment or country. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Upon disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

h.2) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3. Significant accounting policies--Continued

h) Intangible assets--Continued

h.2) Impairment of tangible and intangible assets other than goodwill--Continued

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

i) Income tax and social contribution

Income tax expenses represents the sum of current and deferred taxes.

i.1) Current taxes

Income tax and social contribution are recorded based on annual profit, as prescribed by the tax laws prevailing in the jurisdiction of each consolidated entity. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The provision for income tax and social contribution is calculated individually, for each Group company, based on the rates prevailing at the end of the reporting period.

i.2) Deferred taxes

The tax effects on tax losses and temporary differences between the carrying amounts and the tax base of assets and liabilities are deferred and recognized with respect to deferred income tax and social contribution assets, up to the amount considered as reasonable, in accordance with their expected realization, as disclosed in Note 21.

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 profits will be available to allow all or part of the asset to be recovered.

3. Significant accounting policies--Continued

i) Income tax and social contribution--Continued

i.2) Deferred taxes--Continued

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax asset against the current tax liability, when they are related to the income tax applied by the same tax authority, and the Group intends to settle its current tax assets and liabilities at their net amount.

j) Right of use (“lease”)

The Company recognizes a right of use asset and a right of use liability (“lease”) at the date of commencement of the lease.

Right-of-use assets are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the contract terms. The Company used as component of cost fixed or in-substance fixed lease payments, which would be the minimum payments agreed in contracts with variable payments according to the achievement of revenues, gross of PIS and COFINS. Prepaid lease payments and store refurbishment provisions are also added to right of use assets, less any incentives received from lessors, when applicable. Variable payments are recognized monthly as operating expenses.

The right of use asset is subsequently depreciated by the straight-line method from the date of commencement to the end of the useful life of the right of use asset or the end of the lease term.

The right of use (“lease”) liability is initially measured at the present value of the lease payments remaining on the agreement start date discounted by the incremental loan rate. Lease liabilities are subsequently measured at amortized cost using the effective interest method.

The assessment of whether the Company is reasonably certain to exercise these options has an impact on the lease term, which significantly affects the amount of the recognized lease liabilities and right-of-use assets. Based on the history of the last renewals, in which the terms and amounts negotiated differ substantially from those of the expired contracts, the Company considers renewals as new contracts and, therefore, does not consider renewal in the term.

3. **Significant accounting policies**--Continued

j) Right of use (“lease”)--Continued

The Company opted to use the transition practical expedient and did not recognize right-of-use assets and lease liabilities for some leases of low-value assets or with terms of less than 12 months. The Company recognizes payments associated with these leases as an expense using the straight-line method over the lease term.

j.1) Effects of the adoption of the Guidelines contained in Circular Letter/CVM/SNC/SEP/No. 01/2020

With the issuance of the aforementioned Circular Letter and the clarification of some controversial points related to the adoption of the new standard, the Company revised its assumptions for calculating the right-of-use assets and lease liabilities (“right-of-use”) and started to consider the future payment flows, gross of potential PIS and COFINS tax credits, and continued to discount them at a nominal incremental interest rate. This methodology is in accordance with IFRS16/NBC TG 06 (R3). The effects of this change were considered prospectively as remeasurement in the changes of lease balances.

The term of the Company’s lease agreements varies from 2 (two) to 25 (twenty-five) years.

k) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l) Revenue recognition

Revenue is recognized to the extent it is probable that economic benefits will be generated to the Company and when it can be reliably measured. Revenue is measured at the fair value of the consideration received o receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

l.1) Sales in restaurants and gas stations

Related to the Group’s main sources of revenues and considered as without subsequent performance obligation, these revenues are recognized upon the payment of the purchase by the customer, when the good is delivered, accepted by the customer and the risks and rewards associated to the good have been transferred.

3. Significant accounting policies--Continued

l) Revenue recognition--Continued

l.2) Royalties and provision of services

Revenue from franchisee management and advisory service is only recognized when the service is rendered and when the related benefits are transferred to the franchisees, which are calculated by applying percentages to monthly sales.

l.3) Sales in catering transactions

Represented by the preparation of meals and aircraft fueling, this revenue is recognized only after the acceptance by the customer, when the goods have already been delivered, their risks and rewards have been transferred, and the Company has satisfied its performance obligation.

m) Adjustment to present value

The adjustment to present value of monetary assets and liabilities is calculated, and only recognized, if considered material in relation to the financial statements. The adjustment to present value, when necessary, is calculated taking into consideration the contractual cash flows and the related explicit and implicit interest rate.

As of December 31, 2020 and 2019, based on the analyses performed and on management's best estimate, the Group concluded that the adjustment to present value of monetary assets and liabilities is immaterial in relation to the financial statements and, accordingly, did not record any adjustment.

n) Deferred revenue

Recorded by the Group as liability for amounts received from business partners related to preference in the purchase of raw material and exclusive assignment of advertising spaces. The income is recognized in the statement of profit or loss as services are provided and/or according to contractual terms.

o) Payment of dividends

The payment of dividends to the Company's shareholders is recognized as a liability at the end of the reporting period based on the mandatory minimum dividends set out in the bylaws. Any amounts that exceed the minimum amount are recognized only at the date in which such additional dividends are approved by the Company's shareholders.

p) Equity

Common shares are classified as equity. When a related party acquires Company's shares (treasury shares), the compensation paid, including any directly attributable incremental costs, is deducted from equity, until the shares are canceled or reissued. When these shares are subsequently reissued, any compensation received, less any directly attributable transaction costs, is included in equity. No gains or losses arising from the purchase, sale, issue or cancelation of instruments representing the Company's capital are recognized.

3. **Significant accounting policies**--Continued

p) Equity--Continued

Any differences between the carrying amount and the compensation are recognized as "Other capital reserves".

q) Presentation of earnings per share

In accordance with CPC 41/IAS 33 – Earnings per Share, earnings must be presented as basic and diluted, as disclosed in Note 35.

r) Segment information

Segment information is presented consistently with the internal report used by the chief operating decision makers.

s) Treasury shares

Company equity instruments that are bought back (treasury shares) and recognized at cost, and deducted from equity. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancelation of Company's equity instruments. Any difference between the carrying amount and the consideration is recognized as "Other capital reserves".

t) Share-based payment

Recognized as an expense in the statement of profit or loss, during the year in which the right is vested, after certain specific conditions are met

u) Financial instruments

Financial assets are recognized when the Company or its subsidiaries assume contractual rights to receive cash or other financial assets from contracts to which they are parties. Financial assets are derecognized when the rights to receive cash related to the financial asset expire or when the risks and rewards have been substantially transferred to third parties. Assets and liabilities are recognized when the rights and/or obligations are retained on the transfer by the Company.

Financial liabilities are recognized when the Company and/or its subsidiaries assume contractual obligations to settle in cash or when they assume third party obligations through a contract to which they are parties. Financial liabilities are derecognized when they are settled, extinguished or have expired.

Purchases or sales of financial assets require delivery of the assets within a term defined by regulation or market convention (negotiations under normal conditions), that is, on the date in which the Company and its subsidiaries commit to purchasing or selling the asset.

3. **Significant accounting policies**--Continued

u) Financial instruments--Continued

u.1) Initial recognition

Financial instruments are recognized initially at their fair value plus transaction costs directly attributable to their acquisition or issuance, except in the case of financial assets not measured at fair value through profit or loss.

The main financial assets recognized by the Company are: cash, trade receivables and financial investments. These assets were classified in the categories of amortized cost and financial assets at fair value through profit or loss.

The main financial liabilities recognized by the Company are: trade payables and borrowings. These liabilities were classified in the category of amortized cost.

u.2) Classification and measurement - Financial assets and financial liabilities

In accordance with CPC 48 / IFRS 9, on initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income ("FVOCI"); or at fair value through profit or loss (FVTPL). The classification of financial assets under the CPC 48 / IFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. Embedded derivatives in which the main contract is a financial asset within the scope of the standard are never separated. Instead, the hybrid financial instrument is assessed for classification as a whole.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies--Continued

u) Financial instruments--Continued

u.2) Classification and measurement - Financial assets and financial liabilities—Continued

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise (fair value option available in CPC 48 / IFRS 9).

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value, plus, for an item not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets measured at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets measured at FVTPL - These assets are subsequently measured at fair value. The interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

u.3) Impairment of assets

The new impairment model applies to financial assets measured at amortized cost, contract assets and debt instruments measured at FVOCI, but does not apply to investments in equity instruments (shares) or financial assets measured at FVTPL. In accordance with CPC 48 / IFRS 9, the allowances for losses are measured on one of the following bases: (i) 12-month expected credit losses (general model); (ii) lifetime expected credit losses (simplified model); and (iii) practical expedients that correspond to expected credit losses and consistent with reasonable and sustainable information available at the balance sheet date, on past events, current conditions and forecasts of future economic conditions that allow to verify the future probable loss based on the historical credit loss occurred according to the maturity of the bills.

3. Significant accounting policies--Continued

u) Financial instruments--Continued

u.3) Impairment of assets--Continued

The Group considers a financial asset in situation of default when contractual payments are more than 90 days past due. However, in certain cases, the Group may also consider that a financial asset is in default when internal or external information indicates that it is improbable that the Group will receive fully the contractual amounts outstanding before taking into account any credit improvements maintained by the Group. A financial asset is derecognized when there is no reasonable expectation of recovery of the contractual cash flows.

u.4) Derivative financial instruments

The Company uses derivative financial instruments to limit the exposure to variation not related to the local market as exchange rate swap. These derivative financial instruments are recognized initially at the fair value at the date in which the derivative contract is entered into and subsequently remeasured at the fair value at the end of the reporting period. Derivatives are accounted for as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Gains or losses resulting from changes in the fair value of the derivatives are accounted for directly in profit or loss for the year.

v) Statement of value added (DVA)

The purpose of this statement is to evidence the wealth created by the Group and its distribution during a certain year and is presented by the Group, as required by the Brazilian corporate law, as part of its individual financial statements and as supplemental information to the consolidated financial statements, since this statement is not established or required by IFRSs.

The statement of value added was prepared using information obtained from the accounting records used as a basis to prepare the financial statements and following the requirements of CPC 09 - Statement of Value Added.

The first part of the DVA presents the wealth created by the Company, represented by revenues (gross sales revenue, including taxes levied thereon, other revenues and the effects of the allowance for expected credit losses), inputs purchased from third parties (cost of sales and purchases of materials, electric power and outside services, including taxes levied on purchase, the effects of impairment and recovery of assets, and depreciation and amortization) and the value added received from third parties (share of profit (loss) of investees, finance income and other income). The second part of the statement of value added presents the distribution of wealth among personnel and payroll taxes, taxes and contributions, lenders and lessors, and shareholders.

3. Significant accounting policies--Continued

w) Investments in joint venture

A joint venture is a contractual agreement whereby the Company and other parties exercise an economic activity subject to joint control, where the decisions on strategic financial and operating policies relating to the joint venture's activities require the approval of all parties sharing control. As a joint venture, the Company records its interest under the equity method in the consolidated financial statements, as required by CPC 19 (R2)/IFRS 11.

x) Amendments to IFRS and new interpretations that are mandatorily effective in the current year

In 2020, the Group applied amendments to and new interpretations of IFRSs and CPCs, issued by the IASB and the Accounting Pronouncements Committee (CPC), respectively, which are effective for reporting periods beginning on or after January 1, 2020. The main changes to the Company are:

x.1) Amendments to CPC 15 (R1)/IFRS 3: Definition of a business

The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output.

The Company made an assessment and identified that there was no impact on the individual and consolidated financial statements, but there might be impacts on future periods should the Company be part of any business combinations.

x.2) Review of CPC 00 (R2)

Concepts and guidelines on presentation and disclosure, measurement bases, purposes of the financial statements and useful information.

After analysis, the Company understands that these changes have no impact on the individual and consolidated financial statements.

x.3) Amendments to CPC 38, CPC 40 (R1) and CPC 48: Interest Rate Benchmark Reform

The amendments to CPC 38 and CPC 48 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform.

A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

After analysis, the Company understands that these changes have no impact on the individual and consolidated financial statements.

3. Significant accounting policies--Continued

x) Amendments to IFRS and to new interpretations that are mandatorily effective in the current year--Continued

x.4) Amendments to CPC 06 (R2): Covid-19 Related Rent Concessions--Continued

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

After analysis, the Company understands that these changes have no impact on the individual and consolidated financial statements.

4. Key estimates and judgments

In applying the accounting policies described above, the Group's management adopted the following assumptions in the use of estimates that could have an impact on the financial statements.

a) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated through projection of the future cash flow of this asset discounted to present value in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

b) Income tax and social contribution

At the end of each reporting period, Management calculates estimated income tax and social contribution in accordance with tax laws prevailing in the jurisdiction of each company included in the financial statements.

The Group reviews deferred income tax and social contribution assets at the end of each reporting period and reduces this amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

c) Allowance for expected credit losses

Management periodically assesses the provision for expected credit losses for impairment, specially taking into account the economic scenario, past experience and specific and global risks of the portfolio.

4. Key estimates and judgments--Continued

d) Provision for labor, civil and tax risks

d.1) Labor disputes

The Company is the defendant in labor lawsuits that have similar nature, that is, are filed by plaintiffs that held certain positions and functions and that make claims based on common offenders. For similar labor lawsuits, therefore, it is understood that the best estimate of the risk of loss (and consequently of the recognition of an allowance) is to assess the historical behavior of performance based on actual losses on lawsuits of this nature. Thus, the measurement of the provision for labor disputes is obtained by applying the historical percentage of losses to the total amount of the cause (which represents the maximum exposure to which the Company is subject), informed for each lawsuit by the Company's legal counsel.

The measurement of the provision for labor contingencies considers the experience and the history of losses on labor lawsuits of the last five years and is reviewed at least annually (see further details in Note 19).

d.2) Civil and tax disputes

The provision is measured based on the opinion of the legal counsel, who assess the likelihood of loss and estimate the probable payment amounts for each of the lawsuits individually.

5. Business combination

On October 31, 2019 ("Acquisition Date"), the incorporation of the shares issued by MultiQSR Gestão de Restaurantes S.A. ("MultiQSR") was consummated and closed by the Company ("Incorporation"), as approved at the Company's Extraordinary General Meeting held on August 28, 2019.

On the acquisition date, MultiQSR, through its subsidiaries, held: (a) 13 Pizza Hut restaurants in Brazil and the exclusive right to operate and subfranchise Pizza Hut restaurants in Brazil; and (b) 20 KFC restaurants in Brazil and the exclusive right to operate and subfranchise KFC restaurants in Brazil. In Brazil, MultiQSR owned and sub-franchised restaurants totaled 180 Pizza Hut restaurants and 46 KFC restaurants. The exclusive contract also allows Multi QSR to open a certain number of new restaurants.

The transaction amounted to R$ 216,883, equivalent to 29,387,930 common shares issued by the Company, which were transferred to the Martins Family and valued at the market value of the Company's share on October 31, 2019.

The goodwill generated on the operation was R$ 159,703.

(Amounts in thousands of reais - R$, unless otherwise stated)

6. Segment information

The information reported to the Group's chief decision maker, for the purpose of capital allocation and segment performance evaluation, is more specifically focused on the categories of customer for each type of product and service. The main categories of customers for these products and services are restaurants in shopping malls, airports and highways. Each of these operating segments is managed separately, considering that each one of these product lines requires different resources, including differentiated marketing approaches. The Company's main products consist of meals and related services.

The chief operating decision maker evaluates the performance of the operating segments based on the operating profit before the effects of depreciation and amortization, interest and income tax.

Therefore, the Group's reportable segments pursuant to CPC 22/IFRS 8 – Segment Reporting are as follows:

- Shopping malls: meals in restaurant chains and coffee shops located in shopping malls in Brazil and in the Caribbean provision of services to franchisees of the KFC and Pizza Hut brands.

- Airports: supply of meals in restaurants and coffee shops and for airline companies (catering) in Brazil and in the Caribbean.

- Highways: food courts in service stations and restaurant chains located along highways, and sale of vehicle fuel.

- United States of America: meals in restaurants in captive markets in the United States of America and consumables in the retail market.

- Others: comprise corporate costs not allocated directly to each of the business segments.

	Shopping malls	Airports	Highways	United States of America	Others	Total
December 31, 2020:						
Net revenue	**287,116**	**117,636**	**410,403**	**338,382**	**-**	**1,153,537**
Operating profit (loss)	**(30,201)**	**(37,604)**	**7,224**	**26,079**	**(16,215)**	**(50,717)**
Depreciation and amortization	**(22,508)**	**(38,469)**	**(20,826)**	**(24,486)**	**(21)**	**(106,310)**
Amortization of right of use	**(20,507)**	**(23,160)**	**(8,659)**	**(20,251)**	**-**	**(72,577)**
Impairment of property, plant and equipment and intangible assets	**(276,502)**	**(50,930)**	**-**	**-**	**-**	**(327,432)**
Finance income (expense)	**(13,293)**	**(18,148)**	**(7,829)**	**(11,237)**	**(558)**	**(51,056)**
Income tax benefit (expense)	**106,473**	**13,899**	**(1,180)**	**16,387**	**-**	**134,390**
December 31, 2019:						
Net revenue	297,657	341,534	513,685	450,386	-	1,603,262
Operating profit (loss)	22,244	70,456	65,532	64,339	(17,309)	205,262
Depreciation and amortization	(18,662)	(28,111)	(16,584)	(18,948)	(39)	(82,344)
Amortization of right of use	(17,753)	(27,553)	(8,184)	(16,131)	-	(69,621)
Impairment of property, plant and equipment and intangible assets	(2,779)	(1,098)	-	-	-	(3,877)
Finance income (expense)	(51)	(35,945)	(8,819)	(12,258)	(304)	(57,377)
Income tax benefit (expense)	(1,220)	(3,579)	(1,182)	(1,902)	-	(7,883)

(*) Excluding the effects of depreciation, amortization and amortization of right of use.

6. Segment information--Continued

The reconciliation of operating profit to profit for the year is as follows:

	Consolidated	
	12/31/2020	12/31/2019
Reconciliation of loss for the year:		
Operating profit from reportable segments, excluding the effects of depreciation and amortization	**(34,369)**	222,572
Operating loss from other segments, excluding the effects of depreciation and amortization	**(16,215)**	(17,311)
	(50,584)	205,261
Depreciation and amortization	**(106,310)**	(82,344)
Amortization of right of use	**(72,577)**	(69,621)
Impairment of assets	**(327,432)**	(3,877)
Finance income (expense)	**(51,056)**	(57,378)
Income tax and social contribution	**134,390**	(7,883)
Loss for the year	**(473,578)**	(15,842)

The Company's total assets by business segment are as follows:

	Consolidated	
	12/31/2020	12/31/2019
Shopping malls	**681,455**	898,845
Airports	**731,335**	728,928
Highways	**559,018**	559,039
United States of America	**777,629**	496,088
Subtotal	**2,749,436**	2,682,900
Assets not allocated to the segments	**3,542**	2,748
	2,752,978	2,685,648

a) Disclosures at the Company's level

Geographical information

The Group operates in the following main areas: Brazil, the Caribbean (Colombia and Panama), and the United States of America. Segment reporting on the Group's sales by geographic market based on the location of its customers, regardless of the origin of assets/services, is as follows:

	Consolidated	
	12/31/2020	12/31/2019
Net revenue:		
Brazil	**735,104**	961,633
The Caribbean	**80,051**	191,243
United States of America	**338,382**	450,386
	1,153,537	1,603,262

b) Information on major customers

The Group does not have customers or a group of customers under common control accounting for more than 10% of its revenue.

(Amounts in thousands of reais - R$, unless otherwise stated)

7. Financial instruments

a) Capital management

The Group's Management manages the Group's capital to ensure the continuity of the Group as a going concern and to maximize its funds to allow for investments in new stores, refurbishments, and redesign of existing stores, as well as the acquisition of other entities.

The Group's capital structure consists of financial liabilities with financial institutions, cash and cash equivalents and financial investments, including issued capital and retained earnings.

The Group can change its capital type and structure, depending on economic conditions, to optimize its financial leverage. In addition, Management periodically reviews the capital structure and its capacity to settle its liabilities taking the appropriate actions, when necessary, to balance the Group's debt and liquidity ratios.

b) Categories and hierarchy of fair value of financial instruments

Management considers that the carrying amounts of financial assets and liabilities recorded at amortized cost in the individual and consolidated interim financial information approximate their fair values, since these are short-term instruments or are instruments indexed to the variation of the CDI for the main financial assets, or indexed to the LIBOR interest rate for the main financial liabilities. The main financial instruments are distributed as follows:

	Carrying amount and fair value			
	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial assets				
Cash and cash equivalents	**271,896**	140,081	**537,581**	332,806
Financial instrument of exchange swap	**-**	-	**-**	149
Trade receivables	**5,259**	16,279	**36,380**	64,281
Receivables from related parties	**96,888**	128,285	**-**	2,535
	374,043	284,645	**573,961**	399,771

	Carrying amount and fair value			
	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Financial liabilities				
Financial liabilities recognized at amortized cost:				
Trade payables	**10,275**	14,568	**162,857**	188,097
Borrowings and debentures	**413,485**	395,274	**673,786**	561,672
Payables to related parties	**40,664**	51,059	**1,459**	3,080
Installment payment of business acquisitions	**6,996**	-	**9,594**	41,558
	471,420	460,901	**847,696**	794,407

The fair value of financial instruments not traded in active markets (e.g., over-the-counter derivatives) is determined using valuation techniques. If all key assumptions used to determine the fair value of an instrument can be observed in the market, it will be included in Level 2.

If one or more key information is not based on market data, the instrument will be included in Level 3.

As of December 31, 2020, all the Group's financial instruments were classified as Level 2.

7. **Financial instruments**--Continued

c) Liquidity

Liquidity management entails maintaining sufficient funds, such as cash, securities, and committed credit facilities, to manage the capacity to settle our obligations.

Management monitors the Group's liquidity level considering the expected cash flows against unused credit facilities.

The table below details the remaining contractual maturity of the Group's financial assets and financial liabilities, and the agreed repayment terms. The tables below were prepared using the undiscounted cash flows of the financial assets and financial liabilities based on the nearest date on which the Group can be required to make the related payment or collect its receivables. As interest flows are based on floating rates, the undiscounted amount obtained is based on the interest curves in the twelve-month period ended December 31, 2020. Accordingly, the disclosed balances do not match the balances stated in the balance sheets.

	Weighted average effective interest rate - %	**Parent**					
		Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
December 31, 2020:							
Trade payables	-	**(9,706)**	**(229)**	**(340)**	**-**	**-**	**(10,275)**
Trade receivables	-	**2,545**	**346**	**1,384**	**984**	**-**	**5,259**
Borrowings and debentures	5.44%	**-**	**(4,729)**	**(20,210)**	**(457,769)**	**(70,830)**	**(553,538)**
Right of use ("lease")	11.99%	**(475)**	**(1,424)**	**(3,798)**	**(10,525)**	**(1,015)**	**(17,237)**

	Weighted average effective interest rate - %	**Consolidated**					
		Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
December 31, 2020:							
Trade payables	-	**(158,443)**	**(1,804)**	**(2,610)**	**-**	**-**	**(162,857)**
Trade receivables	-	**17,036**	**2,613**	**15,731**	**1,000**	**-**	**36,380**
Borrowings and debentures	4.78%	**-**	**(7,721)**	**(23,923)**	**(749,276)**	**(70,830)**	**(851,750)**
Right of use ("lease")	9.06%	**(5,056)**	**(15,168)**	**(40,449)**	**(347,340)**	**(60,841)**	**(468,854)**
Installment payment of business acquisitions	5.75%	**-**	**-**	**-**	**(1,996)**	**(7,600)**	**(9,596)**

d) Credit risk

Credit risk refers to the risk of a counterparty not complying with its contractual obligations, which would result in financial losses for the Group. Group sales are basically made using various means of payment, especially credit and debit cards, which reduce significantly the risk of default. A portion of the catering segment sales is made to airlines, the creditworthiness of which is monitored. As a result of such management, expected losses are recorded in 'Allowance for expected credit losses', as described in Note 9.

The Group is also exposed to credit risks related to financial instruments contracted for the management of its business, which consist basically of cash and cash equivalents and short-term investments. Management believes that the credit risk of transactions with financial institutions is low, as these are considered by the market as prime banks.

(Amounts in thousands of reais - R$, unless otherwise stated)

7. **Financial instruments**--Continued

e) Interest rate risk

The Group has loans and debt agreements denominated in U.S. dollars (US$), Colombian pesos (COP) and Brazilian reais (R$), indexed to LIBOR (long-term rate), Colombian Banking Reference Index - IBR and Interbank Deposit Rate - CDI. There is an inherent risk in these liabilities due to usual fluctuations of rates in the markets in which they were contracted.

The Group does not have any derivative contract to mitigate this risk since Management understands there is no significant risk of abrupt fluctuation of these interest rates.

e.1) Sensitivity analysis

In order to conduct the sensitivity analysis of the interest rate charged on existing borrowings and other obligations, the Group uses, for a probable scenario, the market rate obtained on Brazilian stock exchanges, and considers a 25% and 50% increase in such rate for Scenarios I and II, respectively. The sensitivity analysis results for a twelve-month period are as follows:

	Consolidated		
	Probable	**Scenario I**	**Scenario II**
Debentures - CDI plus interest from 4.85% to 5.30% per year	6.13%	8.49%	9.18%
Estimated charges	32,817	35,170	38,604
30-day LIBOR plus interest of 1.95% per year	2.10%	2.14%	2.17%
Estimated charges	3,731	3,797	3,864
180-day LIBOR plus interest from 3.40% to 4.05% per year	3.63%	3.69%	3.75%
Estimated charges	2,305	2,342	2,379
IBR (p.a.) plus interest of 3.70% per year	5.48%	5.93%	6.37%
Estimated charges	786	849	913

f) Debt-to-equity ratio

	Parent		**Consolidated**	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Debt (i)	**413,485**	395,274	**673,786**	561,672
Derivative financial instrument of exchange swap	**-**	-	**-**	(149)
Installment payment of business acquisitions	**6,996**	-	**9,594**	41,558
Cash and cash equivalents (financial investments)	**(271,896)**	(140,081)	**(537,581)**	(332,806)
Net debt	**148,585**	255,193	**145,799**	270,275
Equity (ii)	**1,181,400**	1,145,106	**1,181,400**	1,145,106
Debt-to-equity ratio	**0.126**	0.223	**0.123**	0.236

(i) Debt is defined as short- and long-term borrowings, as detailed in Note 16.
(ii) Equity includes the Group's total share capital and reserves, managed as capital.

8. Cash and cash equivalents

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Cash	**119**	246	**5,989**	5,705
Banks	**30**	1	**170,576**	108,289
Financial investments	**271,747**	139,834	**361,016**	218,812
	271,896	140,081	**537,581**	332,806

Financial investments classified as cash and cash equivalents are broken down as follows:

				Parent	
Transactions	**Average yield**	**Liquidity**	**Country**	**12/31/2020**	12/31/2019
Bank deposit certificate	98.5% to 105% of CDI	Immediate	Brazil	**269,095**	136,392
Overnight deposits	30% to 60% of CDI	Immediate	Brazil	**2,652**	3,036
Others	80% to 100% of CDI	Immediate	Brazil	**-**	406
				271,747	139,834

				Consolidated	
Transactions	**Average yield**	**Liquidity**	**Country**	**12/31/2020**	12/31/2019
Bank deposit certificate	90% to 103.0% of CDI	Immediate	Brazil	**289,108**	180,952
Lease bill	100.2% to 101.5% of CDI	Immediate	Brazil	**59,439**	13,675
Overnight deposits	30% to 60% of CDI	Immediate	Brazil	**2,577**	6,536
Overnight deposits	7.41% p.a.	Immediate	Colombia	**9,391**	11,336
Others	70% to 90% of CDI	Immediate	Brazil	**501**	6,313
				361,016	218,812

9. Trade receivables

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Means of payment (credit and debit cards, and meal tickets)	**-**	686	**12,675**	13,066
Trade receivables (*)	**11,484**	17,882	**27,118**	38,152
Rebates and commercial agreements	**700**	1,311	**10,513**	12,871
Trade receivables from franchisees (**)	**-**	-	**23,714**	19,246
Others	**-**	150	**270**	374
	12,184	20,029	**74,290**	83,709
Allowance for expected credit losses	**(6,926)**	(3,750)	**(37,814)**	(19,428)
	5,259	16,279	**36,380**	64,281
Current	**4,559**	15,503	**35,380**	62,905
Noncurrent	**700**	776	**1,000**	1,376
	5,259	16,279	**36,380**	64,281

(*) The balance of “Trade receivables” refers mainly to receivables from airlines.
(**) Include amounts receivable from franchisees of the KFC and Pizza Hut brands, mainly related to royalties calculated based on percentages on sales of franchised stores.

(Amounts in thousands of reais - R$, unless otherwise stated)

9. Trade receivables—Continued

As part of its management strategy, the Company and its subsidiaries periodically sells a portion of its credit card receivables to financial institutions or credit card companies in order to strengthen their working capital, without recourse or related obligation.

The balance of 'Trade receivables' before deduction of allowance for expected credit losses is denominated in the following local currencies of the countries where the Group operates:

	Consolidated	
	12/31/2020	12/31/2019
In Reais - R$	**53,682**	59,270
In US dollars - US$ (*)	**11,445**	11,846
In Mexican pesos - MXN$ (*)	**1,602**	1,006
In Colombian pesos - COP$ (*) 12,506 11,587	**7,561**	11,587
	74,290	83,709

(*) Balances presented in foreign currencies refer to accounts receivable in the respective countries of origin. Therefore, there is no exchange variation between the recognized revenue and the respective balance receivable recorded in the statement of profit or loss.

Receivables are comprised of current and past-due receivables, as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Not yet due	**2,912**	14,593	**42,211**	55,230
Past due:				
Up to 30 days	**1,977**	1,583	**5,452**	6,861
31 to 60 days	**931**	103	**1,782**	5,400
61 to 90 days	**3,720**	-	**7,465**	3,479
Over 90 days	**2,645**	3,750	**17,380**	12,739
Allowance for expected credit losses	**(6,926)**	(3,750)	**(37,814)**	(19,428)
	5,259	16,279	**36,380**	64,281

<u>Allowance for expected credit losses</u>

The variation of the allowance for expected credit losses is as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
At the beginning of the year	**(3,750)**	(3,844)	**(19,428)**	(4,131)
Additions	**(5,941)**	(6)	**(24,111)**	(173)
Additions due to business combination	**-**	-	**-**	(15,068)
Reversals and write-offs	**2,765**	100	**5,725**	55
Exchange rate changes	**-**	-	**-**	(111)
At the end of the year	**(6,926)**	(3,750)	**(37,814)**	(19,428)

<u>Rebates and commercial agreements</u>

These amounts are set in contracts or agreements and comprise amounts relating to discounts based on sales volume, joint marketing programs, freight reimbursement and other similar programs.

The Group did not recognize any present value adjustment, since all transactions are short term and it considers the effect of these adjustments immaterial when compared with the financial statements taken as a whole.

10. Inventories

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Food and beverages	**1,748**	3,138	**19,450**	29,512
Fuel and vehicle accessories	**-**	-	**5,199**	5,834
Nonfood products and souvenirs for resale	**-**	-	**12,232**	9,009
Supplies and fixtures	**3,560**	1,195	**9,295**	9,948
Provision for inventory losses	**(650)**	(303)	**(2,056)**	(1,101)
	4,658	4,030	**44,120**	53,202

As of December 31, 2020, the total cost of inventories sold disclosed in line item 'Cost of sales and services' was R$ 13,798 (R$ 38,506 as of December 31, 2019) in Parent and R$ 467,344 (R$ 564,973 as of December 31, 2019) in Consolidated (see note 31).

The activity in the provision for inventory losses is as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Opening balance	**(303)**	(102)	**(1,101)**	(1,710)
Additions	**(349)**	82	**(1,286)**	(16,302)
Reversals	**2**	(283)	**206**	16,820
Exchange rate changes	**-**	-	**125**	91
Closing balance	**(650)**	(303)	**(2,056)**	(1,101)

11. Taxes recoverable

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Prepaid income tax and social contribution	**-**	-	**11,353**	11,520
Withholding income tax (IRRF) on financial investments	**4,733**	7,055	**9,941**	13,988
Taxes on revenue (PIS and COFINS)	**11,744**	12,727	**66,294**	63,091
Others	**291**	317	**3,178**	1,661
	16,768	20,099	**90,766**	90,260

12. Investments

Information on subsidiaries

The summarized financial information relating to each of the subsidiaries in which the Company has interests is presented below, before the eliminations of intragroup transactions:

(Amounts in thousands of reais - R$, unless otherwise stated)

12. **Investments**--Continued

Information on subsidiaries--Continued

a) December 31, 2020

Direct subsidiaries	Ownership interest - %	Total assets	Total liabilities	Equity	Profit (loss) for the year	Revenue	Share of profit (loss) of investees
IMCMV Holdings Inc.	**100.00**	**788,787**	**(469,914)**	**(318,930)**	**(13,508)**	**338,382**	**(13.508)**
IMC Puerto Rico Ltd. (the Caribbean)	**100.00**	**304,434**	**(181,234)**	**(123,177)**	**(39,767)**	**80,051**	**(39.767)**
Tob's Lanches Sul Ltda. (Brazil)	**99.99**	**-**	**-**	**-**	**(82)**	**-**	**(82)**
Pimenta Verde Alimentos Ltda. (Brazil)	**99.99**	**751.275**	**(377,930)**	**(399,199)**	**(227,394)**	**307,156**	**(227,394)**
Niad Restaurantes Ltda. (Brazil)	**63.95**	**45,797**	**(53,139)**	**31,701**	**(92,888)**	**17,387**	**(59.402)**
Centro de Serviços Frango Assado Norte Ltda. (Brazil)	**91.30**	**111,442**	**(48,515)**	**(62,926)**	**2,005**	**239,445**	**1.831**
KSR Master Franquias Ltda. (Brazil)	**100.00**	**23,990**	**(41,422)**	**17,432**	**5,059**	**10,479**	**3.190**
PHSR Master Franquia Ltda. (Brazil)	**100.00**	**33,845**	**(68,078)**	**34,254**	**11,873**	**19,446**	**17.195**
Multi QSR Gestão de Restaurantes S.A. (Brazil)	**99.99**	**-**	**-**	**-**	**(20,981)**	**-**	**(20.981)**
Total		**2,059,549**	**(1,240,230)**	**(820,844)**	**(354,702)**	**1,012,346**	**(338,918)**

(*) The negative equity values of the subsidiaries, totaling R$83,386, are presented as a provision for losses on investments.

b) December 31, 2019

Direct subsidiaries	Ownership interest - %	Total assets	Total liabilities	Equity	Profit (loss) for the year	Revenue	Share of profit (loss) of investees
IMCMV Holdings Inc.	100.00	496,088	(246,903)	(249,185)	13,248	450,386	13,248
IMC Puerto Rico Ltd. (the Caribbean)	100.00	304,574	(162,857)	(141,717)	2,602	191,243	2,602
Tob's Lanches Sul Ltda. (Brazil)	99.99	1,388	(514)	(874)	32	-	32
Pimenta Verde Alimentos Ltda. (Brazil)	99.99	871,587	(370,552)	(501,035)	6,501	488,734	6,501
Niad Restaurantes Ltda. (Brazil)	63.95	110,677	(49,490)	(61,187)	1,727	43,571	1,104
Centro de Serviços Frango Assado Norte Ltda. (Brazil)	91.30	109,732	(48,092)	(61,640)	4,236	231,296	4,508
Multi QSR Gestão de Restaurantes S.A. (Brazil)	99.99	51,951	(217,846)	165,895	(4,359)	-	(4,359)
Total		1,945,997	(1,096,254)	(849,743)	23,987	1,405,230	23,636

The activity in investments in subsidiaries presented in the individual financial statements is as follows:

	Tob's	Pimenta Verde and Niad	Gas stations	IMC USA	IMC The Caribbean	Master franchise	Multi QSR (*)	Total
Balances as of December 31, 2018	4,634	528,312	51,900	226,052	132,035	-	-	942,933
Share of profit (loss) of investees	32	15,302	7,168	13,248	2,602	-	(4,359)	33,993
Decrease in investment	-	(7,697)	(2,660)	-	-	-	-	(10,357)
Business acquisition	-	-	-	-	-	-	216,883	216,883
Translation adjustments	-	-	-	9,810	7,057	-	-	16,867
Balances as of December 31, 2019	4,666	535,917	56,408	249,110	141,694	-	212,524	1,200,319
Share of profit (loss) of investees	**(82)**	**(286,769)**	**1,831**	**(13,508)**	**(39,767)**	**20,386**	**(20,981)**	**(338,918)**
Transfer of investment in direct subsidiary	**-**	**-**	**-**	**-**	**-**	**(72,071)**	**-**	**(72,071)**
Addition (write-off) due to merger	**(4,584)**	**68,935**	**-**	**-**	**-**	**-**	**(191,543)**	**(127,192)**
Share capital increase	**-**	**52,385**	**-**	**15,357**	**-**	**-**	**-**	**67,473**
Translation adjustments	**-**	**-**	**-**	**67,971**	**21,249**	**-**	**-**	**89,220**
Balances as of December 31, 2020	**-**	**370,441**	**58,239**	**318,930**	**123,177**	**(51,685)**	**-**	**819,101**

(*) After the mergers, only the companies KSR Master and PHSR Master remained as direct subsidiaries.

The activity in investments in joint-venture, presented in the consolidated financial statements, is as follows:

	Margaritaville (Orlando)
Balance as of December 31, 2019	22,832
Share of profit (loss) of investees (*)	**(2,686)**
Dividends received	**3,275**
Translation adjustments of foreign joint venture	**(285)**
Balance as of December 31, 2020	**23,136**

(*) Share of profit (loss) of investees net of the amortization of investment in joint venture incurred in the twelve-month period ended December 31, 2020 in the amount of R$ 2,950. The investment is amortized because the joint venture has a determined finite duration.

13. Property, plant and equipment

The activity in property, plant and equipment for the years ended December 31, 2020 and 2019 was as follows:

	Parent					
	Balance as of 12/31/2019	Uses	Additions (*)	Additions due to Incorporation	Transfers, write-offs and others	Balance as of 12/31/2020
Cost						
Machinery and equipment	25,404	-	-	5,918	(2,606)	28,716
Furniture and fixtures	7,908	-	-	1,804	(897)	8,815
Leasehold improvements	30,129	-	-	-	(5,365)	24,764
Computers, vehicles and other items	25,863	-	17	685	(1,226)	25,339
Works and construction in progress	480	-	4,780	-	(3,193)	2,067
Total cost	89,784	-	4,797	8,407	(13,287)	89,701
Depreciation						
Machinery and equipment	(19,067)	-	(1,757)	(259)	2,782	(18,301)
Furniture and fixtures	(6,711)	-	(567)	-	956	(6,322)
Leasehold improvements	(17,987)	-	(1,965)	-	5,418	(14,534)
Computers, vehicles and other items	(22,711)	-	(1,369)	-	1,598	(22,482)
Total depreciation	(66,476)	-	(5,658)	(259)	10,754	(61,639)
Provision for impairment of assets						
Leasehold improvements	-	-	(217)	-	-	(217)
Works and construction in progress	-	601	(1,377)	-	-	(776)
Furniture and fixtures	-	-	(223)	-	-	(223)
Machinery, equipment and facilities	-	683	(2,683)	-	-	(2,000)
Computers, vehicles and other items	(408)	-	(55)	-	-	(463)
Total provision	(408)	1,284	(4,555)	-	-	(3,679)
Total, net	22,900	1,284	(5,416)	8,148	(2,533)	24,383

	Balance as of 12/31/2019	Uses	Additions (*)	Transfers, write-offs and others	Effects of exchange differences	Balance as of 12/31/2020
Cost						
Land and buildings	6,161	-	-	(1,505)	956	5,612
Machinery and equipment	245,739	-	16,628	(15,751)	12,252	258,868
Furniture and fixtures	90,307	-	4,467	(2,635)	9,562	101,838
Leasehold improvements	419,083	-	30,210	(2,498)	46,551	483,651
Computers, vehicles and other items	82,372	-	6,146	(12,193)	7,104	91,184
Works and construction in progress	41,641	-	47,767	(41,445)	7,902	55,865
Total cost	885,303	-	105,218	(77,830)	84,327	997,018
Depreciation						
Land and buildings	(3,192)	-	(8)	16	(654)	(3,838)
Machinery and equipment	(149,887)	-	(20,050)	20,979	(8,216)	(157,174)
Furniture and fixtures	(66,110)	-	(7,227)	4,856	(7,805)	(76,286)
Leasehold improvements	(219,109)	-	(38,293)	21,527	(26,631)	(262,506)
Computers, vehicles and other items	(68,287)	-	(7,917)	10,391	(5,524)	(71,337)
Total depreciation	(506,585)	-	(73,495)	57,769	(48,830)	(571,141)
Provision for impairment of assets						
Machinery and equipment	(2,109)	2,354	(55,411)	-	(75)	(55,241)
Works and construction in progress	-	9	(250)	241	-	-
Furniture and fixtures	(106)	55	(2,135)	-	-	(2,186)
Leasehold improvements	(3,261)	5,293	(12,850)	(678)	-	(11,496)
Computers, vehicles and other items	(565)	932	(633)	(241)	-	(507)
Total provision (**)	(6,041)	8,643	(71,279)	(678)	(75)	(69,430)
Total, net	372,677	8,643	(39,556)	(20,739)	35,422	356,477

(*) The value of property, plant and equipment additions presented in the cash flow statements reflects what was actually paid over the twelve-month period ended December 31, 2020. Thus, in the statements of cash flows, from the additions of property, plant and equipment in the twelve-month period ended December 31, 2020, the amount of R$ 367 was added in Parent and the amount of R$ 5,153 in the Consolidated.

(**) Amount related to the provision for impairment of assets recognized based on an analysis performed by Management.

(Amounts in thousands of reais - R$, unless otherwise stated)

13. Property, plant and equipment--Continued

	Consolidated							
	Balance as of 12/31/2018	**Uses**	**Additions (*)**	**Additions due to business combination**	**Addition PPA**	**Transfers, write-offs and others**	**Effects of exchange differences**	**Balance as of 12/31/2019**
Cost								
Land and buildings	4,524	-	752	752	-	-	133	6,161
Machinery and equipment	188,268	-	14,663	16,362	-	24,709	1,737	245,739
Furniture and fixtures	81,561	-	5,013	5,621	-	(3,373)	1,485	90,307
Leasehold improvements	339,352	-	12,450	22,547	-	38,429	6,305	419,083
Computers, vehicles and other items	74,794	-	5,132	2,235	-	(700)	911	82,372
Works and construction in progress	33,542	-	98,993	8,215	1,524	(101,244)	611	41,641
Total cost	722,041	-	137,003	55,732	1,524	(42,179)	11,182	885,303
Depreciation								
Buildings	(2,730)	-	(375)	-	-	-	(87)	(3,192)
Machinery and equipment	(134,903)	-	(16,113)	(4,876)	-	7,022	(1,017)	(149,887)
Furniture and fixtures	(65,087)	-	(7,243)	(1,629)	-	8,986	(1,137)	(66,110)
Leasehold improvements	(192,599)	-	(29,676)	(13,116)	-	20,003	(3,721)	(219,109)
Computers, vehicles and other items	(62,078)	-	(7,227)	(1,779)	-	3,712	(715)	(68,087)
Total depreciation	(457,397)	-	(60,634)	(21,400)	-	39,723	(6,677)	(506,385)
Provision for impairment of assets								
Machinery and equipment	(1,761)	663	(1,011)	-	-	-	-	(2,109)
Furniture and fixtures	(95)	25	-	-	-	(36)	-	(106)
Leasehold improvements	(2,346)	1,045	(2,177)	-	-	217	-	(3,261)
Computers, vehicles and other items	(1,043)	442	-	-	-	36	-	(565)
Total provision	(5,245)	2,175	(3,188)	-	-	217	-	(6,041)
Total, net	259,399	2,175	73,181	34,332	1,524	(2,239)	4,305	372,677

	Parent		Consolidated	
Net balances	**12/31/2020**	12/31/2019	**12/31/2020**	12/31/2019
Land and buildings	**-**	-	**1,774**	2,971
Machinery and equipment	**9,639**	6,337	**46,453**	93,743
Furniture and fixtures	**2,270**	1,197	**23,366**	19,955
Leasehold improvements	**8,230**	12,142	**209,649**	196,313
Computers, vehicles and other items	**2,393**	2,744	**19,340**	13,718
Works and construction in progress	**1,851**	480	**55,865**	45,977
	24,383	22,900	**356,447**	372,677

Depreciation charges are allocated as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Allocated to cost of sales and services	**4,456**	4,764	**60,378**	50,172
Allocated to general and administrative expenses	**1,202**	1,058	**13,117**	10,462
Total depreciation expenses	**5,658**	5,822	**73,495**	60,634
PIS and COFINS credits on depreciation (*)	**(620)**	(616)	**(3,134)**	(2,421)
Total depreciation expenses, net of tax credits	**5,038**	5,206	**70,361**	58,213

(*) PIS and COFINS credits on items on property, plant and equipment allocated to operations.

(Amounts in thousands of reais - R$, unless otherwise stated)

14. Intangible assets

The activity in intangible assets for the years ended December 31, 2020 and 2019 was as follows:

	Parent				
	Balance as of 12/31/2019	Additions (*)	Additions due to Incorporation	Transfers, write-offs and others	Balance as of 12/31/2020
Cost:					
Goodwill	91,790	**-**	**161,236**	**(2,609)**	**250,417**
Software	21,326	**-**	**-**	**9,384**	**30,710**
Rights over trademarks	4,100	**-**	**-**	**-**	**4,100**
Commercial rights	30,748	**-**	**-**	**173**	**30,921**
Licensing rights	70,130	**-**	**259,754**	**24,744**	**354,628**
Non-compete agreements	-	**-**	**21,145**	**(21,145)**	**-**
Leasehold rights	25,532	**-**	**-**	**-**	**25,532**
Intangibles in progress	7,173	**1,192**	**-**	**(8,365)**	**-**
Total cost	250,799	**1,192**	**442,135**	**2,182**	**696,308**
Amortization:					
Software	(17,143)	**(2,675)**	**-**	**591**	**(19,227)**
Commercial rights	(19,256)	**(2,846)**	**-**	**43**	**(22,059)**
Licensing rights	(63,495)	**(18,275)**	**(3,950)**	**-**	**(85,720)**
Leasehold rights	(25,203)	**(329)**	**-**	**-**	**(25,532)**
Total amortization	(125,097)	**(24,125)**	**(3,950)**	**634**	**(152,538)**
Provision for impairment of assets					
Goodwill	-	**(34,673)**	**-**	**-**	**(34,673)**
Software	-	**(18)**	**-**	**(1,260)**	**(1,278)**
Rights over trademarks	(2,537)	**(1,562)**	**-**	**(1)**	**(4,100)**
Commercial rights	-	**(10,123)**	**-**	**1,261**	**(8,862)**
Total provision	(2,537)	**(46,376)**	**-**	**-**	**(48,913)**
Total, net	123,165	**(69,309)**	**438,185**	**2,816**	**494,857**

	Parent			
	Balance as of 12/31/2018	Additions. net of reversals (*)	Transfers, write-offs and others	Balance as of 12/31/2019
Cost:				
Goodwill	91,790	-	-	91,790
Software	19,955	-	1,371	21,326
Rights over trademarks	4,100	-	-	4,100
Commercial rights	30,748	-	-	30,748
Licensing rights	70,130	-	-	70,130
Leasehold rights	25,532	-	-	25,532
Intangibles in progress	942	7,975	(1,744)	7,173
Total cost	243,197	7,975	(373)	250,799
Amortization:				
Software	(15,826)	(1,317)	-	(17,143)
Commercial rights	(16,062)	(3,194)	-	(19,256)
Licensing rights	(58,818)	(4,677)	-	(63,495)
Leasehold rights	(23,227)	(1,976)	-	(25,203)
Total amortization	(113,933)	(11,164)	-	(125,097)
Provision for impairment of assets				
Rights over trademarks	(1,848)	(689)	-	(2,537)
Total provision	(1,848)	(689)	-	(2,537)
Total, net	127,416	(3,878)	(373)	123,165

(Amounts in thousands of reais - R$, unless otherwise stated)

14. Intangible assets--Continued

	Balance as of 12/31/2019	Uses	Additions (*)	Transfers, write-offs and others	Effects of exchange differences	Balance as of 12/31/2020
Cost						
Goodwill	864,833	-	-	(3,674)	61,600	922,759
Software	37,490	-	1,669	7,337	599	47,095
Rights over trademarks	66,919	-	-	8,223	4,304	79,446
Commercial rights	118,898	-	8,841	(7,926)	1,166	120,979
Licensing rights	394,137	-	459	(3,141)	5,808	397,263
Right over trademarks and exploitation of franchises	7,670	-	-	(7,670)	-	-
Leasehold rights	27,536	-	-	(831)	586	27,291
Non-compete agreements	3,880	-	-	(592)	675	3,963
Intangibles in progress and other assets	7,909	-	1,287	(8,325)	200	1,071
Total cost	1,529,272	-	12,256	(16,599)	74,938	1,599,867
Amortization:						
Software	(29,478)	-	(3,949)	2,042	(419)	(31,804)
Commercial rights	(67,412)	-	(6,409)	2,953	(683)	(71,551)
Licensing rights	(95,114)	-	(23,450)	3,637	(3,921)	(118,848)
Leasehold rights	(25,204)	-	(329)	2	-	(25,531)
Non-compete agreements	(3,232)	-	(259)	1,068	(510)	(2,933)
Others	(620)	-	-	-	(130)	(750)
Total amortization	(221,060)	-	(34,396)	9,702	(5,663)	(251,417)
Provision for impairment of assets						
Goodwill	-	-	(223,796)	-	(53)	(223,849)
Software	(497)	13	(6,831)	-	-	(7,315)
Rights over trademarks	(7,351)	-	(13,836)	-	(136)	(21,323)
Commercial rights	(6)	941	(11,690)	667	-	(10,088)
Licensing rights	(17)	-	-	-	-	(17)
Total provision (**)	(7,871)	954	(256,153)	667	(189)	(262,592)
			-			
Total, net	1,300,341	954	(278,293)	(6,230)	69,087	1,085,858

(Amounts in thousands of reais - R$, unless otherwise stated)

14. Intangible assets--Continued

	Balance as of 12/31/2018	Uses	Additions (*)	Additions due to business combination	Additions PPA	Transfers, write-offs and others (**)	Effects of exchange differences	Balance as of 12/31/2019
Cost								
Goodwill	696,870	-	-	-	159,703	-	8,259	864,833
Software	34,873	-	572	550	-	1,431	64	37,490
Rights over trademarks	66,322	-	-	-	-	-	597	66,919
Commercial rights	103,819	-	2,234	13,665	1,273	(2,249)	156	118,898
Licensing rights	115,012	-	561	24,931	254,303	(1,453)	784	394,138
Leasehold rights	28,072	-	-	-	-	(638)	102	27,536
Non-compete agreements	-	-	-	1,917	5,753	-	-	7,670
Intangibles in progress and other assets	3,193	-	-	-	976	(383)	94	3,880
Total cost	1,656	-	8,115	-	-	(1,884)	22	7,909
	1,049,817	-	11,482	41,063	422,008	(5,176)	10,078	1,529,272
Amortization								
Software								
Commercial rights	(27,320)	-	(2,130)	(175)	-	199	(52)	(29,478)
Licensing rights	(51,082)	-	(8,045)	(9,680)	-	1,481	(86)	(67,412)
Leasehold rights	(84,557)	-	(7,256)	(3,603)	-	786	(484)	(95,114)
Non-compete agreements	(23,227)	-	(1,977)	-	-	-	-	(25,204)
Intangibles in progress and other assets	(2,034)	-	(1,131)	-	-	-	(67)	(3,232)
Total amortization	(527)	-	(70)	-	-	-	(23)	(620)
	(188,747)	-	(20,609)	(13,458)	-	2,466	(712)	(221,061)
Provision for impairment of assets								
Software	(503)	6	-	-	-	-	-	(497)
Rights over trademarks	(6,662)	236	(689)	-	-	(236)	-	(7,351)
Commercial rights	(34)	245	-	-	-	(217)	-	(6)
Licensing rights	(253)	-	-	-	-	236	-	(17)
Total provision	(7,452)	487	(689)	-	-	(217)	-	(7,871)
Total cost	853,618	487	(9,817)	27,604	422,008	(2,927)	9,366	1,300,340

(*) The value of additions of intangible assets presented in the cash flow statements reflects what was actually paid over the twelve-month period ended December 31, 2020.
(**) Amount related to the provision for impairment of assets recognized based on an analysis performed by Management.

	Parent		Consolidated	
Net balances	**12/31/2020**	12/31/2019	**12/31/2020**	12/31/2019
Goodwill (a)	**215,744**	91,790	**698,910**	864,833
Software	**10,205**	4,183	**7,976**	7,515
Rights over trademarks (b)	**-**	1,563	**58,123**	59,568
Commercial rights (c)	**-**	11,492	**39,340**	51,480
Licensing rights (d)	**268,908**	6,635	**278,398**	298,590
Right over trademarks and exploitation of franchises	**-**	-	**-**	7,670
Leasehold rights (e)	**-**	329	**1,030**	2,332
Non-compete agreements	**-**	-	**1,760**	1,064
Intangibles in progress and other assets	**-**	7,173	**321**	7,289
	494,857	123,165	**1,085,858**	1,300,340

Amortization charges on other intangible assets are recognized in line item ‘General and administrative expenses’, in the statement of profit or loss.

(Amounts in thousands of reais - R$, unless otherwise stated)

14. Intangible assets--Continued

Main intangible assets

a) *Goodwill*

Allocation of goodwill to cash-generating units

Goodwill is allocated to each cash-generating unit, defined as follows:

- Shopping malls - Brazil: fast food in restaurant chains and coffee shops located in shopping malls in Brazil and provision of services to franchisees of the KFC and Pizza Hut brands, after the acquisition of MultiQSR operations.
- Shopping malls - the Caribbean (Panama and Colombia): fast food in restaurant chains and coffee shops located in shopping malls in the Caribbean.
- Airports: meals served in restaurants and coffee shops, and airline catering and other related services in Brazil.
- Airports - the Caribbean (Panama and Colombia): meals served in restaurants and coffee shops, and airline catering and other related services in the Caribbean.
- Highways: food courts in service stations and restaurant chains located along highways in Brazil, and sale of vehicle fuel.
- United States of America: meals in restaurants in captive markets in the United States of America and consumables in the retail market.

The carrying amount of the goodwill was allocated to the following cash-generating units:

	Consolidated			
	12/31/2020			12/31/2019
	After impairment	Impairment	Before impairment	
Brazil:				
Shopping malls	**158,626**	**187,905**	**346,531**	347,607
Airports	**57,119**	**34,672**	**91,791**	91,790
Highways	**206,187**	**-**	**206,187**	206,187
	421,932	**222,577**	**644,509**	645,584
The Caribbean:				
Shopping malls	**-**	**1,272**	**1,272**	1,068
Airports	**24,681**	**-**	**24,681**	20,476
	24,681	**1,272**	**25,953**	21,544
United States of America				
	252,297	**-**	**252,297**	197,705
	698,910	**223,849**	**922,759**	864,833

14. Intangible assets--Continued

b) *Rights over trademarks*

Refers to those trademarks identified in the acquisitions made. Including Viena, Frango Assado, Batata Inglesa and Rede J&C Delícias (the Caribbean).

c) *Commercial rights*

Refer to amounts paid to acquire commercial rights and/or acquired in business combinations.

d) *Rights over trademarks and exploitation of franchises.*

A portion of the price attributable to the acquisition of catering operations was allocated to the licenses and permits to operate airline-catering services and restaurants in certain airports.

After the acquisition of MultiQSR operations in 2019, the Company acquired the right to operate exclusively the KFC and Pizza Hut brands in Brazil under Master Franchise agreements.

e) *Leasehold rights*

Refers to the portion of the purchase price allocated to lease agreements entered into with airport authorities (leasehold rights) and/or airport managers for the lease of space in the airports to operate restaurants, snack bars, coffee shops, and other similar retail outlets.

<u>Impairment testing for assets with indefinite useful lives</u>

Assets with indefinite useful lives are tested for impairment annually or whenever there are indications that some of the cash-generating units might be impaired. As of September 30, 2020, the Company’s market value was lower than its book value, indicating a possible impairment of goodwill and other assets. In addition, the generalized decline in food activities worldwide and the continuing economic uncertainty generated by the pandemic throughout 2020, led to a reduction in demand and a review of various operational aspects of the Company, with an impact on such test. The discount rate used, as shown below, increased in relation to previous periods, mainly due to the change in the beta of the Company's operating segment, the change in country risk and the increase in the cost of the Company's debt, due to the renegotiation the terms and conditions of the debentures in the second quarter of 2020.

As of December 31, 2020, the Company performed a new assessment and did not identify the need to recognize an additional provision in relation to that recognized as of June 30, 2020, as described below for each cash-generating unit.

14. Intangible assets--Continued

a) *Brazilian cash-generating units*

- *Airports*

The recoverable amount of the airports cash-generating unit totaled R$ 72,617 as of June 30, 2020 and was calculated based on the value in use, considering the cash flow projections based on financial budgets. The projected cash flow was updated to reflect the reduction in the demand for products and services. The discount rate applied to cash flow projections is 12.2%, which increased compared to previous periods, mainly due to the change in the beta of the Company's operating segment, the change in the country risk and the increase in the Company's debt cost, due to the renegotiation of the terms and conditions of the debentures occurred in the second quarter of 2020. The cash flow for the period beyond five years considers a growth rate of 5.9%, the same long-term average growth rate adopted for the food industry.

As a result of this analysis, in June 2020, Management recognized an impairment of goodwill in the amount of R$ 34,673. The impairment charges are recorded in line item “provision for impairment”.

As of December 31, 2020, Management reanalyzed the impairment test performed on June 30, 2020 and did not identify the need for additional adjustments.

- *Shopping malls*

The recoverable amount of the shopping malls cash-generating unit related to Viena and Batata Inglesa operations totaled negative R$ 23,571 as of June 30, 2020, and was calculated based on the value in use calculation, in view of the cash flow projections based in financial budgets approved by Management during a five-year period. The projected cash flow was updated to reflect the decrease in the demand for products and services and review of operating aspects related to the brand portfolio, with a greater focus on those recently acquired. The discount rate applied to cash flow projections is 12.2%, which increased compared to previous periods, mainly due to the change in the beta of the Company's operating segment, the change in the country risk and the increase in the Company's debt cost, due to the renegotiation of the terms and conditions of the debentures occurred in the second quarter of 2020, and the cash flow for the period beyond five years considers a growth rate of 5.9%, the same long-term average growth rate adopted for the food industry.

14. Intangible assets--Continued

a) *Brazilian cash generating units--Continued*

- *Shopping malls*--Continued

As a result of this analysis, Management recognized impairment of goodwill in the amount of R$ 190,514, impairment of assets of R$ 53,675 and impairment of rights over trademarks of R$ 8,830. The impairment charges are recorded in line item “impairment of assets” in the statement of profit or loss.

As of December 31, 2020, Management reanalyzed the impairment test performed on June 30, 2020 and did not identify the need for additional adjustments. As disclosed in note 1, the Company is discussing at court the maintenance of the master franchise agreement of the KFC brand in Brazil. The impairment test took into consideration the terms and conditions existing in the current agreement, which were reestablished pursuant to a decision favorable to the Company of February 26, 2021, as well as the opinion of the legal advisors. The Company also performed a sensitivity analysis that evidenced that, even in a scenario of loss in the arbitration court, with the exclusion of the results arising from such agreement from the segment’s discounted cash flow, it would not be necessary to recognize a provision for impairment.

b) *Caribbean cash-generating units*

- *Shopping malls*

The recoverable amount of the shopping malls in Colombia cash generating unit totaled R$ 14,758 as of June 30, 2020, and was calculated based on the value in use calculation, in view of the cash flow projections based in financial budgets approved by Management during a five-year period. The projected cash flow was adjusted to reflect the decrease in the demand for products and services. The discount rate applied to cash flow projections is 11.9%, which increased compared to previous periods, mainly due to the change in the beta of the Company's operating segment, the change in the country risk and the increase in the Company's debt cost, due to the renegotiation of the terms and conditions of the debentures occurred in the second quarter of 2020, and the cash flow for the period beyond five years considers a growth rate of 5.0%, the same long-term average growth rate adopted for the food industry in that country.

As a result of this analysis, Management recognized in June 2020 impairment of goodwill in the amount of R$ 1,220 and impairment of assets of R$ 4,536. The impairment charges are recorded in line item “impairment of assets” in the statement of profit or loss.

As of December 31, 2020, Management reanalyzed the impairment test performed on June 30, 2020 and did not identify the need for additional adjustments.

14. Intangible assets--Continued

The main aspects and considerations on the most significant assumptions used in the analyzes are as follows:

Sales forecasts	The average sales growth in the period immediately prior to the projection period, plus an annual growth rate for the next five years. The amounts attributed to the assumption reflect the past experience, except for the growth factor, which is consistent with Management's plans to concentrate operations in these markets and in certain brands of the Company's current portfolio. Management believes that the annual market share growth for the next five years is feasible.
Inflation adjustment of raw material prices	Projected consumer price indexes for the projection period of the countries from which raw materials are purchased. The amounts allocated to the main assumptions are consistent with external sources of information.
Projected gross margin	Average gross margins in the period immediately prior to the projection period, which were increased as a result of expected efficiency improvements. Reflect past experience, except for estimated efficiency improvements, which the Company believes to be reasonably achievable.

As of December 31, 2020, Management concluded that there were no indicators of impairment of the cash-generating units “United States of America” and “Highways”, since the tests performed showed that the recoverable amounts of these CGUs were higher than their carrying amounts.

The recoverable amount of the United States cash-generating unit totaled R$637,115 on December 31, 2020 and was calculated based on the value in use calculation, in view of the cash flow projections based on financial budgets approved by Senior Management during a five-year period. The discount rate applied to cash flow projections is 16.0% and increased compared to previous periods, mainly due to changes in the beta of the Company's operating segment and the increase in the cost of the Company's debt. The cash flow for the period beyond the five years considers a growth rate of 3%, the same long-term average growth rate adopted for the food industry for this country.

15. Right of use and lease liabilities ("right of use")

The changes in the right-of-use assets and lease liabilities ("right of use") are substantially comprised of real estate contracts.

The activity in the year ended December 31, 2020 is as follows:

a) Changes in the right-of-use asset

	Parent			
	Real estate	**Machinery and equipment**	**Vehicles**	**Total**
Balance as of 12/31/2018	**-**	**-**	**-**	-
(+) Initial adoption	15,719	1,352	35	17,106
Balance as of 01/01/2019	15,719	1,352	35	17,106
(-) Accumulated depreciation	(3,326)	(404)	(144)	(3,874)
(+) Additions	3,019	234	170	(3,423)
(-) Write-offs	(254)	(116)	(27)	(397)
Balance as of 12/31/2019	15,158	1,066	34	16,258
(-) Accumulated depreciation	**(2,944)**	**(119)**	**(31)**	**(3,094)**
(+) Additions	**8,139**	**114**	**6**	**8,259**
(-) Write-offs	**(7,136)**	**(130)**	**-**	**(7,266)**
Balance as of 12/31/2020	**13,217**	**931**	**9**	**14,157**

	Consolidated			
	Real estate	**Machinery and equipment**	**Vehicles**	**Total**
Balance as of 12/31/2018	**-**	**-**	**-**	-
(+) Initial adoption	404,011	1,352	35	405,398
Balance as of 01/01/2019	404,011	1,352	35	405,398
(-) Accumulated depreciation	(69,855)	(404)	(144)	(70,403)
(+) Additions	66,207	234	170	66,611
(-) Write-offs	(31,831)	(116)	(27)	(31,974)
(+) Exchange-rate changes	15,410	-	-	15,410
Balance as of 12/31/2019	383,942	1,066	34	385,042
(-) Accumulated depreciation	**(71,925)**	**(119)**	**31**	**(72,075)**
(+) Additions	**89,105**	**114**	**6**	**89,225**
(-) Write-offs	**(86,885)**	**(130)**	**-**	**(87,015)**
(+) Exchange rate changes	**40,217**	**-**	**-**	**40,217**
(+) Remeasurement	**43,665**	**-**	**-**	**43,665**
Balance as of 12/31/2020	**398,119**	**931**	**9**	**399,059**

(Amounts in thousands of reais - R$, unless otherwise stated)

15. Right of use and lease liabilities ("right of use")--Continued

a) Change in the lease liability ("right of use")

	Parent			
	Real estate	**Machinery and equipment**	**Vehicles**	**Total**
Balance as of 12/31/2018	-	-	-	-
(+) Initial adoption	15,719	1,352	35	17,106
Balance as of 01/01/2019	15,719	1,352	35	17,106
(+) Interest	1,653	135	13	1,801
(-) Principal paid	(3,621)	(355)	(141)	(4,117)
(-) Interest paid	(634)	(131)	(14)	(779)
(+) Additions	3,019	234	170	3,423
(-) Write-offs	(254)	(116)	(27)	(397)
Balance as of 12/31/2019	15,881	1,119	36	17,036
(+) Interest	**1,262**	**43**	**1**	**1,306**
(-) Principal paid	**(3,549)**	**(106)**	**(2)**	**(3,657)**
(-) Interest paid	**(440)**	**(45)**	**(2)**	**(487)**
(+) Additions	**8,339**	**114**	**6**	**8,459**
(-) Write-offs	**(1,823)**	**(130)**	**-**	**(1,953)**
(-) Discounts obtained	**(5,313)**	**-**	**-**	**(5,313)**
Balance as of 12/31/2020	**14,357**	**995**	**39**	**15,391**
Current	**4,795**	**278**	**14**	**5,087**
Noncurrent	**9,562**	**717**	**25**	**10,304**

	Consolidated			
	Real estate	**Machinery and equipment**	**Vehicles**	**Total**
Balance as of 12/31/2018	-	-	-	**-**
(+) Initial adoption	404,011	1,352	35	405,398
Balance as of 01/01/2019	404,011	1,352	35	405,398
(+) Interest	33,543	135	13	33,691
(-) Principal paid	(79,228)	(355)	(141)	(79,724)
(-) Interest paid	(12,040)	(131)	(14)	(12,185)
(+) Additions	66,207	234	170	66,611
(-) Write-offs	(31,831)	(116)	(27)	(31,974)
(+)Exchange rate changes	19,405	-	-	19,405
Balance as of 12/31/2019	400,067	1,119	36	401,222
(+) Interest	**17,088**	**43**	**1**	**17,132**
(-) Principal paid	**(69,053)**	**(106)**	**(2)**	**(69,161)**
(-) Interest paid	**(13,003)**	**(45)**	**(2)**	**(13,050)**
(+) Additions	**89,105**	**114**	**6**	**89,225**
(-) Write-offs	**(55,506)**	**(130)**	**-**	**(55,636)**
(-) Discounts obtained	**(31,379)**	**-**	**-**	**(31,379)**
(+) Exchange rate changes	**46,431**	**-**	**-**	**46,431**
(+) Remeasurement	**43,665**	**-**	**-**	**43,665**
Balance as of 12/31/2020	**382,708**	**995**	**39**	**428,449**
Current	**54,060**	**104**	**13**	**54,177**
Noncurrent	**373,355**	**891**	**26**	**374,272**

15. Right of use and lease liabilities ("right of use")--Continued

c) Schedule of the right-of-use liabilities ("lease") recognized in noncurrent liabilities

Year	Parent	Consolidated
2022	3,153	55,055
2023	3,163	62,586
2024	1,420	44,494
2025	1,427	147,580
Over 5 years	1,141	64,557
	10,304	**374,272**

The amounts shown in the schedule above refer to lease liability amounts and do not reflect the discounts on leases caused by the COVID-19 pandemic.

Pursuant to CVM Resolution 859 of July 7, 2020, with the revisions of technical pronouncement 16/2020, which amends NBC TG 6 (R2), the Company applied the practical expedient to all contracts that met the conditions of item 46B, electing to not assess the benefits received in lease payments and directly related to the COVID-19 pandemic as a contractual amendment.

Therefore, the discounts obtained on lease payments in 2020, in the amount of R$ 5,313 in Parent and R$ 31,379 in Consolidated, are classified as a reduction of the lease expense.

d) Short-term leases, leases of low-value assets and variables:

As of December 31, 2020, payments made by the Company relating to short-term lease contracts and low value assets referring to printers, peripherals, and office equipment totaled R$ 2,893 (R$ 4,563 as of December 31, 2019). Payments for contracts with variable value totaled R$ 9,673 (R$ 57,460 as of December 31, 2019).

Given the current scenario, with a significant part of stores closed, the Company elected to not disclose future values, since there is no reasonable assurance regarding the determination of such amounts.

e) PIS and COFINS credits

The entities located in Brazil are entitled to a PIS and COFINS credit on lease contracts when making payments. We present below the potential amounts of these taxes, considering the par values and the amounts adjusted to present value:

	Parent	
	Par value	**Adjustment to present value**
Lease consideration	15,467	14,157
Potential PIS and COFINS (9.25%)	1,431	1,310

	Consolidated	
	Par value	**Adjustment to present value**
Lease consideration	412,909	399,059
Potential PIS and COFINS (9.25%)	15,130	13,849

(Amounts in thousands of reais - R$, unless otherwise stated)

15. Right of use and lease liabilities (“right of use”)—Continued

f) Additional information:

If the Group had adopted the calculation methodology projecting the inflation embedded in the nominal incremental rate and bringing it to present value by the nominal incremental rate, the following data should be considered:

	Inflation to be projected by year	Average contract term
Brazil operations	4.52%	5 years
International operations		
United States of America	1.36%	6 years
Panama	1.36%	5 years
Colombia	1.61%	3 years

16. Trade payables

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Product suppliers	**2,357**	9,143	**66,580**	76,906
Service providers	**7,841**	4,980	**94,974**	108,263
Suppliers - others	**77**	445	**1,295**	2,928
Total	**10,275**	14,568	**162,857**	188,097

17. Borrowings

	Financial charges	Maturity	Parent		Consolidated	
			12/31/2020	12/31/2019	12/31/2020	12/31/2019
CCB international - Swap - Brazil	CDI + spread of 3.1% p.a.	Quarterly up to 9/14/2020	**-**	-	**-**	2,634
Bank Credit Note - CCB – United States of America (a)	30-day LIBOR + spread of 3% p.a.	Annual until 11/21/2026	**-**	-	**177,773**	62,958
Bank Credit Note – CCB – The Caribbean (b)	180-day LIBOR (or IBR 6-months) + spread from 3.4% to 3.7% p.a.	Semi-annual up to 10/12/2022	**-**	**-**	**77,757**	60,280
Debentures 1st Series (c)	CDI + spread of 4,85% p.a.	Annual until 03/15/2024	**132,015**	127,273	**132,015**	127,273
Debentures 2nd Series (c)	CDI + spread of 5,30% p.a.	Annual until 03/15/2026	**132,452**	127,426	**132,452**	127,426
Single series issuance (d)	CDI + spread of 5,00% p.a.	Annual until 09/10/2025	**158,779**	152,949	**158,779**	152,949
Costs to be recognized			**(11,581)**	(13,623)	**(11,581)**	(13,623)
Others			**1,820**	1,249	**6,591**	41,775
			413,485	395,274	**673,786**	561,672

17. **Borrowings**--Continued

Classified as:

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Current:				
Foreign currency-denominated borrowings	**-**	-	**39,960**	35,530
Local currency-denominated borrowings (R$)	**28,872**	7,485	**30,133**	47,672
	28,872	7,485	**70,093**	83,202
Noncurrent:				
Foreign currency-denominated borrowings	**-**	-	**215,613**	87,708
Local currency-denominated borrowings (R$)	**384,631**	387,789	**388,079**	390,762
	384,631	387,789	**603,692**	478,470

Guarantees and commitments

(a) Borrowing raised in US dollars - US$ with annual floating interest rate determined by bank of 3% above the Libor. The borrowing is guaranteed by the parent company International Meal Company Alimentação S.A. and has certain covenants calculated based on the financial statements. As of December 31, 2020, the Group was compliant with these covenants.

(b) Borrowings payable in 10 semiannual installments beginning March 2018 and collateralized by certain Company's subsidiaries. The agreement contains certain covenants that require the compliance with the net debt-to-EBITDA ratio, the debt service coverage ratio and the total indebtedness, calculated based on the financial statements, which are measured semiannually.

(c) First issue of 250,000 simple non-convertible debentures, in two series of 125,000 debentures each, with unit par value of R$ 1,000.00, of the unsecured type with collateral, issued on March 18, 2019, with interest of 100% of the accumulated variation of the average rates of DI – Interbank Deposits of one day, plus a spread (surcharge) of 4.85% per year, with maturity in 2024, with interest paid semiannually until the due date for the first series, and 5.30% per year, with maturity in 2026 for the second series.

The financial ratios established in the agreement are evaluated quarterly, by the trustee, and consist basically of net debt-to-EBITDA ratios and minimum cash.

As of June 4, 2020, the Company renegotiated the following clauses of the debenture indenture, which was unanimously approved by the debenture holders:

- Suspension of verification of the Financial Ratio based on the reviewed consolidated quarterly financial information (ITRs) as at March 31, June 30 and September 30, 2020 and March 31 and June 30, 2021; and on the audited annual consolidated financial statements as at December 31, 2020, related to the net debt-EBITDA ratio;

- Change in the exponential spread (surcharge) of the 1st series, from 1.15% p.a. to 4.85% p.a., maturing in 2024;

- Change in the exponential spread (surcharge) of the 1st series, from 1.60% p.a. to 5.30% p.a., maturing in 2026.

17. **Borrowings**--Continued

Guarantees and commitments--Continued

(Amounts in thousands of reais - R$, unless otherwise stated)

(d) Second issue of 150,000 simple non-convertible debentures, in two series of 150,000 debentures each (only one series was issued up to December 31, 2019), with unit par value of R$ 1,000.00, of the unsecured type with collateral, issued September 14, 2019, with interest of 100% of the accumulated variation of the average rates of DI - Interbank Deposits of one day, plus a spread (surcharge) of 5.00% per year, with maturity in 2025, with interest paid semiannually until the due date.

The financial ratios established in the agreement are evaluated quarterly, by the trustee, and consist basically of net debt-to-EBITDA ratios and minimum cash.

As of June 4, 2020, the Company renegotiated the following clauses of the debenture indenture, which was unanimously approved by the debenture holders:

- Suspension of verification of the Financial Ratio based on the reviewed consolidated quarterly financial information (ITRs) as at March 31, June 30 and September 30, 2020 and March 31 and June 30, 2021; and on the audited annual consolidated financial statements as at December 31, 2020, related to the net debt-EBITDA ratio;

- Change in the exponential spread (surcharge) of the 2nd series, from 1.30% p.a. to 5.00% p.a., maturing in 2025.

The maturities of the portion recorded in noncurrent liabilities are as follows:

	Consolidated
2022	**59,034**
2023	**100,281**
2024	**117,428**
2025 and thereafter	**326,949**
	603,692

18. Government grant

On April 24, 2020, the United States government signed H.R. 266, the Paycheck Protection Program and Health Care Enhancement Act. The financial support program provides small American companies a twenty-four week period in cash flow aid during the COVID-19 crisis.

The loan may be waived and converted into a government grant. The waived amount will be determined based on the value used to pay salaries of up to US$ 100 thousand, health care plan, social security contributions, interest on loans to individuals, rentals and utilities. The rules and regulations establish that 60% of the amounts must be used to cover payroll costs, and allows only 30% for rental, utilities and other general expenses. No guarantees are required.

18. **Government grant**--Continued

As of December 31, 2020, the Company had used 100% of the amount received.

According to technical pronouncement CPC 07 (R1) - Accounting for Government Grants and Disclosure of Government Assistance, a government grant is a government assistance usually provided as, but no limited to, monetary contribution, granted to an entity usually in exchange of past or future fulfillment of certain conditions related to the entity's operating activities. Grants that cannot be reasonably measured in cash and transactions with the government that cannot be distinguished from the entity's usual trading transactions are not considered government grants.

The accounting treatment of government grant as revenue derives from the following arguments: (a) since a government grant is received from a source other than shareholders and derives from an act of management in benefit of the entity, it should not be recognized directly in equity, but recognized as revenue in the appropriate periods; (b) government grant rarely is free. The entity earns this revenue when it complies with the grant rules and fulfills certain obligations. The grant, therefore, should be recognized as revenue in the statement of profit or loss in the periods in which the entity recognizes the costs associated with the grant that are subject to offset; (c) as taxes are expenses recognized in the statement of profit or loss, it is logic to record the government grant that is, in essence, an extension of the fiscal policy as revenue in the statement of profit or loss.

According to the accrual basis, government grant revenue must be recognized on a systematic and rational basis, over the period required, and offset against the corresponding expenses. Therefore, the recognition of government grant revenue when it is received is only permitted when there is no allocation basis of the grant over the benefited periods.

Based on the nature of the transaction, and on the aforementioned items, the Company understood that the proper accounting treatment would be the recognition of these amounts as government grant.

As of December 31, 2020, Management concluded that there was reasonable certainty for the recognition of R$ 58,996 in profit or loss for the year, in "selling and operating expenses", of which R$ 12,915 and R$ 45,720 were recognized as reducers of "Lease expenses" and "Payroll expenses", respectively (see Note 29).

Changes in government grants are as follows:

	Consolidated
Amount received – Paycheck Protection Program	**58,996**
(-) Amount used for salary payment	**(45,720)**
(-) Amount used for lease payment	**(12,915)**
(-) Exchange rate changes	**(361)**
Balance as of December 31, 2020	**-**

(Amounts in thousands of reais - R$, unless otherwise stated)

19. Payroll and related taxes

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Payroll and related taxes	**4,635**	5,144	**23,891**	30,503
Accrued vacation and related taxes	**5,069**	11,943	**27,118**	25,624
Others	**1,144**	822	**1,889**	9,808
Total	**10,848**	17,909	**52,898**	65,935

20. Installment payment of business acquisitions

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Business acquisitions in Brazil	**6,996**	-	**6,996**	9,864
Business acquisitions in other countries (a)	**-**	-	**2,598**	31,694
Total	**6,996**	-	**9,594**	41,558
Current	**1,996**	-	**1,996**	6,394
Noncurrent	**5,000**	-	**7,598**	35,164

(a) The installment payment amounts are denominated in US dollars and are subject to interest of 5.75% p.a.

The installments recorded in noncurrent liabilities are due as of 2025.

Cash disbursement for acquisitions

	Consolidated	
	12/31/2020	12/31/2019
Payments of installments of business acquisitions made in Brazil by companies acquired in prior periods	**2,142**	457
Payments of installments of business acquisitions made in other countries in prior years	**35,563**	4,754
Cash outflow	**37,705**	5,211

21. Provision for labor, civil and tax risks

The Group is a party to labor and social security, civil and tax proceedings. The Group filed appeals against claims filed with courts. Judicial deposits were made when required by the authorities.

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Labor and social security (a)	**20,509**	6,190	**51,748**	12,084
Tax (b)	**19,993**	-	**27,547**	36
Civil (c)	**3,125**	619	**6,360**	2,512
Business combination – business acquisitions (d)	**-**	-	**-**	43,042
Business combination – PPA allocation (d)	**-**	-	**-**	27,006
	43,627	6,809	**85,654**	84,680

(a) Provision recognized to cover labor and social security risks arising from labor relationships established in the normal course of its businesses. As the Group is a defendant in labor lawsuits that have similar nature, that is, lawsuits with recurring content filed in general by plaintiffs who held certain positions and functions and that make claims based on common offenders, it is understood that the best estimate of the risk of loss (and consequently of the recognition of a provision) is the assessment of the historical performance based on actual losses on lawsuits of such nature. Based on the analyses performed by the Company, the historical losses of the last five (5) years were on average approximately 17% when compared with the amounts of the respective causes.

(b) The Group is exposed to risks related to challenges by tax authorities (federal, state and municipal) and, based on the opinion of its legal counsel, recognized a provision to cover probable losses for such risks.

(c) The Group is a party to civil and various other lawsuits, such as, claim of economic imbalance or claims filed by suppliers/manufacturers, related to quality discounts. Management recognized a provision for lawsuits in which the risk of loss is considered probable, based on the opinion of the Company's legal counsel.

(d) The balance arises from the business combination with Multi QSR (Note 5).

The Group is a party to tax and civil lawsuits that, according to the opinion of its legal counsel, involve possible risk of losses amounting to R$ 3,578 in Parent and R$ 32,353 in Consolidated and, therefore, no provision for these lawsuits was recognized.

Among the main lawsuits classified as possible loss we highlight the infringement notices issued against the subsidiary Comercial Frango Assado (merged into Pimenta Verde in August 2017) in November 2012, relating to the requirement of PIS and COFINS tax credit for the period from January to December 2009. The amount involved is R$ 4,791. The lawsuit is under discussion at the administrative level.

As of December 31, 2020, the Group has a total exposure related to labor lawsuits in the amount of R$ 49,629 (R$ 31,423 as of December 31, 2019) in Parent and R$ 89,567 (R$ 87,023 as of December 31, 2019) in Consolidated, and of this amount R$ 24,156 (R$ 10,083 as of December 31, 2019) refers to lawsuits for which the likelihood of loss was assessed as possible in Parent and R$ 49,091 (R$ 28,857 as of December 31, 2019) in Consolidated.

The Group uses the average percentage of approximately 17% applied to the total amount of exposure when recognizing a provision.

(Amounts in thousands of reais - R$, unless otherwise stated)

21. Provision for labor, civil and tax risks--Continued

The activity in the provision for risks in the periods is as follows:

	Parent			
	Labor and social security	Tax	Civil	Total
Balance as of 12/31/2018	3,880	-	924	4,804
Additions	5,253	-	126	5,379
Uses	(2,943)	-	(431)	(3,374)
Balance as of 12/31/2019	6,190	-	619	6,809
Additions due to company merger	**12.665**	**19,993**	**3,124**	**35,783**
Additions	**6,207**	**-**	**17**	**6,224**
Uses*	**(4,554)**	**-**	**(635)**	**(5,189)**
Balance as of 12/31/2020	**20,508**	**19,993**	**3,125**	**43,627**

	Consolidated			
	Labor and social security	Tax	Civil	Total
Balance as of 12/31/2018	10,956	-	1,944	12,900
Additions	11,896	35	1,058	12,989
Reversals	(72)	-	(61)	(133)
Uses	(10,696)	-	(457)	(11,153)
Exchange rate changes	-	-	28	28
Balance as of 12/31/2019	12,084	35	2,512	14,631
Purchase price allocation (PPA)	6,663	19,365	978	27,006
Additions due to business combination	31,916	7,768	2,258	43,043
Balance as of 12/31/2019	50,663	27,168	6,850	84,680
Additions	**19,418**	**378**	**96**	**19,892**
Uses*	**(18,168)**	**-**	**(469)**	**(18,637)**
Reversals	**(165)**	**-**	**(406)**	**(571)**
Exchange rate changes	**-**	**-**	**289**	**289**
Balance as of 12/31/2020	**51,748**	**27,547**	**6,360**	**85,654**

(*) The uses of the provision for labor risks in the twelve-month period ended December 31, 2020 plus the net variation of the provision for agreements and installment payment of labor lawsuits totaled R$ 3,871 in Parent and R$ 10,491 in Consolidated.

Business combination

(i) Labor and social security

Labor and social security risks arising mainly from: a) employment relationship with uni-professional legal entities paid through issuance of invoice and (ii) salary supplement through incentive card. The risks were identified and determined in due diligence and the practice was suspended after the conclusion of the business combination.

(ii) Tax

Tax risks arising mainly from: (a) non-payment of Tax on Financial Transactions (IOF) on loans with related parties and (ii) limit on the deductibility of royalties remitted abroad. The risks were identified and determined in due diligence and the practice was suspended after the conclusion of the business combination.

(iii) Civil

Risks of different nature identified in due diligence.

22. Deferred revenue

Refers to bonuses and discounts received from suppliers for preference and exclusivity in the use of their services and/or resale of their products. These bonuses and discounts are recognized basically in line item "Cost of sales and services" in the statement of profit or loss when the service is provided and based on the expiration of the agreements entered into between the Group and its suppliers.

23. Income tax and social contribution

a) Deferred income tax and social contribution

Deferred income tax and social contribution arise from recognized tax loss carry forwards and temporary differences. These tax credits are recorded in noncurrent assets and noncurrent liabilities, based on expected future earnings, as per the prevailing tax law.

As of December 31, 2020 and 2019, deferred income tax and social contribution are as follows:

	Parent	
	12/31/2020	**12/31/2019**
Tax loss carry forwards	**-**	5,081
Temporary differences:		
Provision for labor, civil and tax risks	**3,031**	2,315
Provision for disposal of assets	**4,720**	139
Deferred income tax liability on amortization of goodwill of companies acquired	**(28,979)**	(40,768)
Deferred income tax liability over goodwill of merged companies	**(7,398)**	-
Deferred tax liability arising from fair value allocation of business combinations	**(2,407)**	(643)
Accrued liabilities and others	**6,808**	8,017
	(24,225)	(25,859)
Assets	**-**	-
Liabilities	**(24,225)**	(25,859)

	Consolidated	
	12/31/2020	**12/31/2019**
Tax loss carry forwards	**109,856**	101,212
Temporary differences:		
Provision for labor, civil and tax risks	**17,631**	6,039
Provision for disposal of assets	**29,034**	2,231
Accrued liabilities	**29,982**	9,409
Asset deferred income tax liability over merged companies	**5,210**	
Asset appreciation and difference between accounting and tax law depreciation rates	**17,600**	20,074
Deferred income tax liability on amortization of goodwill of companies acquired and merged and/or derived from fair value allocation of business combinations	**(129,313)**	(196,418)
Deferred income tax liability over goodwill of merged companies	**(7,398)**	
Other temporary differences	**4,696**	(2,539)
	77,298	(59,992)
Assets	**134,072**	17,509
Liabilities	**(56,774)**	(77,502)
	77,298	(59,992)

(Amounts in thousands of reais - R$, unless otherwise stated)

In accordance with CPC 32, the Company, based on the expected generation of future taxable profits and based on a technical study approved by Management, recognizes the tax assets and liabilities on the deductible temporary differences and on the accumulated tax losses, which can be carried forward indefinitely and can be utilized up to the limit of 30% of the annual taxable profits. The carrying amount of the deferred tax asset and liability is reviewed quarterly and the projections are reviewed annually.

b) Realization of deferred income tax and social contribution

Based on the history of realization of assets and liabilities that gave rise to the balance of deferred income tax and social contribution, as well as the projected profit or loss for the next years, the realization schedule was estimated as follows:

	Parent	Consolidated
Year		
Up to 1 year	1,304	7,499
From 1 to 2 years	2,071	34,923
From 2 to 3 years	2,640	38,197
From 3 to 4 years	4,858	42,236
From 5 to 7 years	1,728	47,953
From 8 to 10 years	1,958	43,201
	14,559	**214,009**

As of December 31, 2020, the Group has tax loss carry forwards amounting to R$ 498,646 (R$ 297,682 as of December 31, 2019), for which it recognized deferred taxes, and the amount of R$ 77,913 (R$ 80,437 as of December 31, 2019), for which no deferred taxes were recognized, since until that date there were no projections of future taxable income to confirm their realization.

c) Reconciliation of income tax and social contribution at statutory and effective rates

	Parent	
	12/31/2020	**12/31/2019**
Loss before income tax and social contribution from continuing operations	**(483,626)**	(16,800)
Statutory tax rate	34%	34%
Income tax credit and social contribution benefit (expense) at statutory rate	**164,433**	5,712
Adjustments made:		
Permanent differences (*)	**(2,029)**	(810)
Share of profit (loss) of investees	**(96,644)**	(11,558)
Deferred income tax credits on tax loss carry forwards not recognized	**(51,933)**	(997)
Profit of foreign subsidiaries	**-**	10,075
Other permanent differences	**(3,779)**	(1,464)
Income tax and social contribution	**10,048**	958
Current	**-**	-
Deferred	**10,048**	958
	10,048	958

23. Income tax and social contribution--Continued

c) Reconciliation of income tax and social contribution at statutory and effective rates--Continued

	Consolidated	
	12/31/2020	12/31/2019
Loss before income tax and social contribution from continuing operations	**(607,968)**	(7,960)
Statutory tax rate	34%	34%
Income tax credit and social contribution benefit (expense) at statutory rate	**206,709**	2,706
Adjustments made:		
Permanent differences (i)	**(14,874)**	(1,563)
Deferred income tax credits on tax loss carry forwards not recognized or recognized on losses/bases of prior years	**(59,193)**	(7,499)
Other permanent differences	**1,748**	(1,528)
Income tax and social contribution	**134,390**	(7,884)
Current	**-**	(8,671)
Deferred	**134,390**	788
	134,390	(7,884)

(i) Include: (a) taxes paid by foreign subsidiaries and not deductible in Brazil; and (b) other nondeductible expenses.

The income tax return of each subsidiary is subject to tax audit by tax authorities in the respective country over a period from three to six years from the end of the year in which it is filed. Additional taxes and fines can be imposed as a result of such tax audits, which would be subject to interest. However, Management believes that all taxes have been paid or properly accrued.

24. Equity

a) Share capital

The Company is authorized to increase capital by up to 100,584,077 common shares without par value.

As of December 31, 2020, the Company's capital comprises 286.369.530 shares (195,919,530 as of December 31, 2019) that represent an amount of R$ 1,170,479 (R$ 786,065 as of December 31, 2019).

Reconciliation of shares is as follows:

Position at December 31, 2019	195,919,530
New shares	**90,450,000**
Position at December 31, 2020	**286,369,530**

On July 9, 2020, the Company disclosed a material fact informing that the meeting of the Company's Board of Directors approved the public offering of primary distribution of initially 67,000,000 registered, book-entry, common shares without par value, free of any lien or encumbrance, issued by the Company.

24. Equity–Continued

a) Share capital–Continued

On July 21, 2020, approval was given for the price per share, set according to the Bookbuilding Process at R$ 4.25 ("Share Price"), and with the Company's capital increasing by R$ 384,413, as well as for the public offering of primary distribution with restricted placement efforts exclusively in Brazil, pursuant to the terms of CVM Instruction 476, and therefore, without placement efforts of Shares abroad, of a total of 90,450,000 registered, book-entry, common shares without par value, free of any lien or encumbrance, issued by the Company, which includes the Additional Shares. Expenses arising specifically from the offering were recognized as a reduction of equity, in the amount of R$ 16,106.

At the Extraordinary General Meeting held on August 28, 2019, the Company's capital increase resulting from the Incorporation of Shares of MultiQSR was approved (see note 1b), in the amount of R$ 9,784, through the issuance of 29,387,930 registered common shares without par value, therefore, the Company's capital is now divided into 195,919,530 registered common shares without par value.

A capital reserve of R$ 207,099 was recognized, which corresponds to the difference between the amount of the capital increase mentioned above and the amount attributed to the consideration paid (R$ 216,883) for the acquisition of MultiQSR, based on the market value of the Company's shares at October 31, 2019.

b) Allocation of profit

A portion of 5% of the profit shall be deducted to recognize the legal reserve, which cannot exceed 20% of the capital.

Shareholders are entitled to a noncumulative annual dividend of at least 25% of the profit, in conformity with Article 202 of Law 6404/76.

The remaining balance, after deducting legal costs, shall be allocated as decided by the Annual Shareholders' Meeting, in conformity with applicable legislation.

In conformity with applicable legal provisions and as decided by the Annual Shareholders' Meeting, the Company may pay to its shareholders interest on capital which may be deducted from the mandatory minimum dividend.

c) Treasury shares

On November 7, 2019, Company's Board of Directors approved a "share buyback program" effective through November 7, 2020 (inclusive) and for a volume of up to 4,911,436 common shares with the objective of increasing shareholder value generation.

On January 8, 2020, the Company's Board of Directors approved the closing of the Company's program to buy back Company shares approved by the Board of Directors on November 7, 2019 ("Buyback Program"); and authorized the sale of shares, by the Executive Board, issued by the Company and held in treasury.

The activity in treasury shares in the years ended December 31, 2019 and 2020 was as follows:

24. Equity – Continued

c) Treasury shares--Continued

	Number of shares	Amount	Average price per share - R$
Balance as of December 31, 2019	6,790,600	40,917	6.03
(-) Treasury shares sold	(5,800,000)	(34,974)	6.03
(-) Stock options exercised	(65,000)	(392)	6.03
Balance as of December 31, 2020	**925,600**	**5,551**	**6.03**

d) Other comprehensive income (loss)

Refer to differences arising on translating foreign currency-denominated profit or loss calculated on the equity of foreign subsidiaries.

25. Share-based payment plan

Under the Stock Option Plan ("Stock Option Plan - 2015"), approved at the Extraordinary General Meeting held on April 30, 2015, the Company and its subsidiaries' management and employees ("Beneficiaries") are eligible to receive stock options for common shares issued by the Company ("Option").

The granting of options must meet the maximum limit of 8,326,580 common shares, corresponding to 5% of the Company's capital.

The Stock Option Plan – 2015 is managed by the Company's Board of Directors or, at its discretion, by the Compensation Committee ("Committee"), and, where applicable, its members will have full powers to, subject to the terms and conditions of the plan and, in the case of the Committee, the guidelines of the Company's Board of Directors, organize and manage the plan and the stock option agreements within its scope.

The Board of Directors or the Committee, where appropriate, will define: (a) the Beneficiaries; (b) the total number of Company's shares subject to grant; (c) the division of grant in lots, if applicable; (d) the exercise price; (e) possible restrictions on the shares received through the exercise of the option; and (f) possible provisions on penalties, in conformity with the general guidelines set forth in the Plan, and will determine the terms and conditions of each option in a Stock Option Agreement ("Agreement"), to be entered into among the Company and each Beneficiary. The Agreement will define the number and class of shares which the Beneficiary will be entitled to acquire or subscribe upon exercise of the option and any other terms and conditions, in conformity with the general guidelines set forth in the Plan.

The exercise price is updated monthly by the fluctuation of the Extended Consumer Price Index (IPCA) or the variation of the General Market Price Index from Fundação Getúlio Vargas (IGP-M/FGV) from the grant date.

Subject to the condition of remaining in the Company, at every 12 months the Beneficiaries will acquire the right to exercise the percentage of vested options set out in each Agreement, within a maximum period of up to two years after the vesting period.

(Amounts in thousands of reais - R$, unless otherwise stated)

25. Share-based payment plan--Continued

The options will be exercised through the issuance of new shares and/or disposal of treasury shares held by the Company, based on the option to be adopted by the Board of Directors or Committee.

With characteristics similar to the Stock Option Plan - 2015, on October 27, 2017, the Board of Directors approved the Stock Options Plan - 2017 with option grants limited to 4,550,000 common shares, equivalent on that date to 2.73% of the Company's capital. Different from Stock Option Plan - 2015, under this plan, the beneficiaries may exercise the vested options within a maximum period of up to three months after the vesting period.

At the Extraordinary General Meeting held on August 28, 2019, the Stock Option Plan - 2019 was approved, with options granted limited to 4,325,000 common shares, equivalent to 2.21% of the Company's capital. The 2019 Stock Option Plan has characteristics similar to previous plans.

The position of the granted options outstanding as of December 31, 2020 is as follows:

Exercise of grant	Number of shares				Fair value of the option [1]	Exercise price [1]	
	Granted	Not exercised due to withdrawal [2]	Exercised	Outstanding		On grant	Updated
Stock Option Plan - 2015							
2015	2,700,000	(1,508,000)	(1,192,000)	-	4.75 [3]	4.00	5.68
2016	3,900,000	(1,067,000)	(2,733,000)	100,000	2.19	4.00	5.15
2017	4,050,000	(2,190,000)	(1,405,000)	455,000	3.56	6.56	8.94
2018	100,000	-	-	100,000	1.94	6.75	6.75
2019	350,000	-	-	350,000	3.01	6.00	6.00
2020	1,880,000			1,880,000	1.25	4.00	4.13
	12,980,000	**(4,765,000)**	**(5,330,000)**	**2,885,000**			
Stock Option Plan - 2017							
2017	4,300,000	(1,110,000)	-	3,190,000	2.99	7.47	9.02
2018	900,000	(115,000)	(25,000)	760,000	1.97	6.37	6.69
2020	150,000	-	-	150,000	1.26	4.00	4.13
	5,350,000	**(1,225,000)**	**(25,000)**	**4,100,000**			
Stock Option Plan - 2019							
2019	3,550,000	(300,000)	-	3,250,000	3.04	7.57	9.41
	3,550,000	**(300,000)**	**-**	**3,250,000**			
	21,880,000	**(6,290,000)**	**(5,355,000)**	**10,235,750**			

(1) Amounts expressed in R$.
(2) As set out in the grant agreement, the beneficiaries who resigned and/or are terminated from the Company lose the right to exercise the non-vested options.
(3) Corresponds to the fair value of the stock option plan at the grant date, without the impact of the clauses amended in 2016.

25. Share-based payment plan--Continued

The activity in granted options outstanding is as follows:

	Stock Option Plan - 2015	Stock Option Plan - 2017	Stock Option Plan - 2019	Total
Number of options outstanding as of December 31, 2019	**1,473,750**	**4,390,000**	**3,500,000**	**9,363,750**
(+) Options granted in 2020	1,880,000	150,000	-	2,030,000
(-) Not exercised due to withdrawal / expired				
2019 grant	-	-	(250,000)	(250,000)
2017 grant	(428,750)	(320,000)	-	(748,750)
(-) Exercised				
2017 grant	(40,000)	(25,000)	-	(65,000)
Number of options outstanding as of December 31, 2020	**2,885,000**	**4,100,000**	**3,250,000**	**10,235,000**

The fair value of the options was calculated on the grant date of each plan and based on the “Black & Scholes” pricing model. The effects were reflected in line item ‘General and administrative expenses’ in the statement of profit or loss, and in line item ‘Reserve for stock option plan’ in equity, as follows:

Exercise of grant	Accumulated at 12/31/2019	Appropriated to the results in 2020	Accumulated at 12/31/2020	Amounts to be recorded in future periods (1)
Stock Option Plan - 2015				
2015	5,659	-	5,659	-
2016	6,207	7	6,213	-
2017	6,939	(439)	6,500	117
2018	88	56	143	52
2019	279	321	600	455
2020	-	248	248	2,111
	19,172	193	19,363	2,735
Stock Option Plan - 2017				
2017	7,641	982	8,624	926
2018	780	361	1,141	404
2020	-	20	20	168
	8,421	1,343	9,765	1,330
Stock Option Plan - 2019				
2019	1,340	3,405	4,744	5,316
	1,340	3,405	4,744	5,316
Total	**28,933**	**4,941**	**33,872**	**9,201**

(1) The weighted average of the remaining contractual period is of 17 months.

(Amounts in thousands of reais - R$, unless otherwise stated)

25. Share-based payment plan--Continued

In determining the fair value of stock options, the following economic assumptions were used:

	Weighted average
Expected life of the option [(1)]	**2.6 years**
Volatility [(2)]	**43.9%**
Risk-free rate [(3)]	**4.6%**

(1) Represents the period in which it is believed that the options will be exercised and was determined based on the assumption that the beneficiaries will exercise their options within the limit of maturity;

(2) The estimated volatility took into consideration the weighing of the history of trading of Company shares;

(3) The Company used as risk-free interest rate the reference rate of BM&F available at the calculation date and with maturity equivalent to the option term.

26. Net revenue

	Parent		
Disaggregated revenue	Catering	Retail	**Total**
Gross revenue	**51,089**	**11,794**	**62,883**
Taxes on sales	**(5,623)**	**(75)**	**(5,698)**
Returns and rebates	**745**	**(521)**	**224**
Net revenue as of December 31, 2020	**46,210**	**11,198**	**57,408**
Gross revenue	122,026	39,097	161,123
Taxes on sales	(11,477)	(2,961)	(14,438)
Returns and rebates	892	(85)	807
Net revenue as of December 31, 2019	111,441	36,051	147,492

	Consolidated			
Disaggregated revenue	Franchisees	Catering	Retail	**Total**
Gross revenue (*)	**33,621**	**67,383**	**1,148,114**	**1,249,118**
Taxes on sales	**(4,747)**	**(6,408)**	**(36,485)**	**(47,640)**
Returns and rebates	**-**	**257**	**(48,198)**	**(47,941)**
Net revenue as of December 31, 2020	**28,874**	**61,232**	**1,063,431**	**1,153,537**
Gross revenue	7,932	181,355	1,514,129	1,703,414
Taxes on sales	(996)	(14,192)	(46,433)	(61,621)
Returns and rebates	-	892	(39,424)	(38,531)
Net revenue as of December 31, 2019	6,936	168,055	1,428,271	1,603,262

27. Selling and operating expenses

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Payroll	**(5,207)**	(7,338)	**(8,374)**	(13,025)
Publicity and advertising	**(207)**	(310)	**(42,296)**	(27,580)
Rental expenses	**(2,997)**	(6,556)	**(36,592)**	(72,827)
Third party services	**(981)**	(1,826)	**(35,513)**	(31,424)
Credit and debit card fees	**(142)**	(322)	**(15,659)**	(20,844)
Royalties	**-**	-	**(26,841)**	(26,047)
Maintenance	**(15)**	(70)	**(12,981)**	(16,128)
Logistics	**(514)**	(902)	**(7,861)**	(5,438)
Communication infrastructure	**(378)**	(360)	**(3,096)**	(3,117)
Fees and charges	**(265)**	(510)	**(14,447)**	(14,087)
Expenses with losses on receivables	**(3,010)**	-	**(9,705)**	-
Other expenses	**(484)**	(714)	**(18,369)**	(20,970)
	(14,200)	(18,908)	**(231,734)**	(251,487)

28. General and administrative expenses

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Payroll	**(30,396)**	(40,296)	**(68,150)**	(72,534)
Office rental	**(347)**	(339)	**(1,995)**	(1,131)
Third party services	**(11,882)**	(8,515)	**(26,588)**	(17,940)
Travel expenses	**(210)**	(426)	**(1,330)**	(2,449)
Maintenance and utilities	**(1,236)**	(1,649)	**(3,093)**	(3,518)
Share-based payments	**(4,960)**	(5,643)	**(4,960)**	(5,644)
Store launchings	**-**	-	**(6,059)**	(7,824)
Expense recovery – apportionment among related	**27,647**	34,134	**-**	-
Expenses related to association agreement/business combination	**(1,008)**	(15,848)	**(1,009)**	(16,030)
Other expenses	**(2,694)**	(3,231)	**(11,713)**	(8,078)
	(25,086)	(41,813)	**(124,897)**	(135,148)

29. Other operating income (expenses), net

	Parent		Consolidated	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Other expenses:				
Write-off of fixed assets	**-**	(60)	**(2,911)**	(1,600)
Provision for labor, civil and tax risks, net of reversals	**(8,973)**	(5,284)	**(19,980)**	(12,961)
Restructuring costs	**(8,771)**	-	**(24,976)**	-
Costs with closure of stores	**-**	(4)	**-**	(2,457)
Other expenses	**(3,312)**	(617)	**-**	-
	(21,056)	(5,965)	**(47,867)**	(17,018)
Other income:				
Write-off of fixed assets	**294**	-	**-**	-
Rebates and commercial agreements	**5**	408	**12,419**	6,654
Sales of fixed assets and commercial rights	**78**	39	**3,281**	4,062
Recovery of tax credits (*)	**-**	5,046	**7,089**	20,354
Other revenues	**-**	-	**1,008**	3,018
	377	5,493	**23,797**	34,088
Total, net	**(20,679)**	(472)	**(24,070)**	17,070

(*) Refers to the recognition of credits related to the exclusion of ICMS from the PIS and COFINS tax bases, as mentioned in Note 11 for 2019.

30. Finance income (expense), net

	Parent	Consolidated

(Amounts in thousands of reais - R$, unless otherwise stated)

	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Finance income:				
Income from financial investments	**3,657**	6,079	**5,755**	7,104
Inflation adjustment gains	**-**	3,241	**437**	10,963
Gain on waiver of borrowings of related party	**12,639**	-	**-**	-
Exchange gains	**572**	-	**164**	333
	16,868	9,320	**6,356**	18,400
Finance expense:				
Interest on borrowings	**(25,824)**	(19,940)	**(33,086)**	(29,531)
Interest on business acquisitions and acquisitions of commercial rights	**(2,240)**	(3,068)	**(2,240)**	(3,068)
Exchange losses	**(377)**	(45)	**-**	-
Inflation adjustment, interest and banking fees	**-**	(955)	**(1,465)**	(1,737)
Interest expenses – lease liability	**(1,306)**	(1,801)	**(17,132)**	(33,693)
Other finance expense	**(1,646)**	-	**(3,497)**	(7,749)
	(31,393)	(25,809)	**(57,420)**	(75,778)
Total, net	**(14,525)**	(16,489)	**(51,056)**	(57,378)

31. Expenses by nature

	Parent		**Consolidated**	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Inventory costs	**(13,879)**	(38,506)	**(467,469)**	(564,973)
Royalty costs	**-**	-	**(18,430)**	(3,964)
Personnel expenses	**(63,621)**	(103,213)	**(381,444)**	(498,110)
Selling expenses	**(207)**	(310)	**(34,443)**	(27,580)
Third party services	**(10,960)**	(10,341)	**(60,283)**	(49,849)
Operating expenses	**(10,534)**	(20,587)	**(169,872)**	(225,647)
Depreciation and amortization	**(29,162)**	(16,371)	**(103,358)**	(79,004)
Amortization - right of use	**(3,094)**	(3,874)	**(72,578)**	(70,497)
Impairment of assets	**(50,930)**	(1,098)	**(327,432)**	(3,877)
Expense recovery – related parties	**27,647**	34,134	**-**	-
Amortization of investment in joint venture	**-**	-	**(2,950)**	(2,462)
Share of profit (loss) of investees	**(338,917)**	33,993	**264**	12,241
Other expenses	**(12,307)**	(21,158)	**(48,376)**	(57,191)
	(505,964)	(147,331)	**(1,686,371)**	(1,570,913)
Classified as:				
Cost of sales and services	**(48,414)**	(103,892)	**(882,070)**	(1,090,557)
Selling and operating expenses	**(14,200)**	(18,908)	**(231,734)**	(251,487)
General and administrative expenses	**(25,086)**	(41,813)	**(124,897)**	(135,148)
Depreciation and amortization	**(25,189)**	(11,739)	**(44,974)**	(29,125)
Amortization of right of use	**(3,094)**	(3,874)	**(72,578)**	(70,497)
Impairment of assets	**(50,930)**	(1,098)	**(327,432)**	(3,877)
Share of profit (loss) of investees	**(338,917)**	33,993	**(2,686)**	9,778
	(505,964)	(147,331)	**(1,686,371)**	(1,570,913)

(Amounts in thousands of reais - R$, unless otherwise stated)

32. Related parties

The Parent and its subsidiaries carry out transactions related to the Company's financial, commercial and operating aspects.

Yum! Brands, Inc. (Yum!) is a related party, since it is a shareholder of the Company. The Company entered into a Master Franchise agreement and is required to pay franchise fees and royalties to Yum!

a) Franchise Fees and Royalties

These transactions are carried out under exclusive conditions provided for in agreements between Yum! and the Company, which represents the brands KFC and Pizza Hut in Brazil, and there are no comparable conditions in the market.

In addition, in view of the Master Franchise agreement between KSR Master and PHSR Master, the Company is entitled to receive a monthly service fee for the franchisee management activities in the country. For this service, the Company receives a monthly revenue equivalent to 1% of the net revenue of restaurants operated by these franchisees. These transactions are also carried out under specific conditions, as per the agreement.

Due to the presented agreements, the subsidiaries shown below have the following amounts recorded as of December 31, 2020:

	KSR Master	**PHSR Master**	**Pimenta Verde**
Liabilities			
Royalties payable	**1,048**	**3,335**	**2,700**
Profit or loss			
Royalty expenses	**(2,356)**	**(4,096)**	**(4,496)**

Transactions with other related parties involving loans or current account balances are detailed as follows:

	Parent				
	Balance as of 12/31/2019	Additions	Noncurrent assets Write-offs	Merger	Balance as of 12/31/2020
Rede Viena	81,023	**159,659**	**(152,759)**	**-**	**87,923**
Frango Assado	6,485	**2,480**	**-**	**-**	**8,965**
Multi QSR	40,777	**29,959**	**(33,013)**	**(37,723)**	**-**
	128,285	**192,098**	**(185,772)**	**(37,723)**	**96,888**

	Balance as of 12/31/2019	Noncurrent liabilities Additions	Write-offs	Balance as of 12/31/2020
IMC Panama	50,448	**2,885**	**(12,639)**	**40,664**
Tobs	611	**-**	**(611)**	**-**
	51,059	**2,885**	**(13,250)**	**40,664**

(Amounts in thousands of reais - R$, unless otherwise stated)

32. Related parties--Continued

	Balance as of 12/31/2019	Noncurrent liabilities Additions	Write-offs	Balance as of 12/31/2020
Sforza Group(*)	545	**869**	**-**	**1,414**
	545	**869**	**-**	**1,414**

(*) The Sforza Group comprises the companies TBB Holding, BRS Gestão and WW Holding.

In order to enhance the corporate structure, the Company and its subsidiaries agreed to share costs and expenses, focused mainly in sharing back-office and corporate structures. Intercompany reimbursement transactions are performed only among companies in Brazil.

	Parent	
	12/31/2020	12/31/2019
<u>Reimbursement of expenses</u>		
Viena Chain	**23,625**	29,514
Frango Assado Chain 1,108 1,085	**4,022**	4,620
	27,647	34,134

In order to improve the portfolio of products offered, the Company entered into a merchandise purchase agreement with Mundo Verde, a company specialized in natural products.

	Balance as of 12/31/2019	Noncurrent liabilities Additions	Write-offs	Balance as of 12/31/2020
Mundo Verde	-	**46**	**-**	**46**
	-	**46**	**-**	**46**

33. Compensation of key management personnel

For the year ended December 31, 2020, key management compensation totaled R$ 16,778 (R$ 15,609 as of December 31, 2019) in Parent and Consolidated, including the amount of R$ 3,654 (R$ 4,668 as of December 31, 2019) related to the share-based payment plan. This amount was recorded in line item “General and administrative expenses””. Management does not have post-retirement benefits or other short- and long-term benefits.

34. Insurance

The Group has an insurance policy that considers principally risk of concentration and its materiality, providing insurance coverage considered sufficient in light of the type of business and according to advice from insurance brokers.

As of December 31, 2020, insurance coverage is as follows:

	Consolidated
Civil liability	**23,621**
Sundry risks - inventories and property, plant and equipment	**660,922**
Vehicles	**75,577**
Others	**6,635**
	766,754

(Amounts in thousands of reais - R$, unless otherwise stated)

35. Earnings (loss) per share

Basic

Basic earnings (loss) per share are calculated by dividing profit (loss) for the period by the weighted average number of common shares in the period.

Diluted

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of outstanding common shares, considering the conversion of all potential common shares that would result in dilution.

The table below shows the calculation of losses per share pursuant to CPC 41/IAS 33 - Earnings per Share:

	Parent and Consolidated	
	12/31/2020	**12/31/2019**
Basic and diluted numerator		
Loss for the year attributable to Company's shareholders used to calculate total basic and diluted loss per share	**(473,578)**	(15,842)
Outstanding shares:		
Basic and diluted denominator (thousands of shares)	**286,370**	168,875
Weighted average number of stock options granted	**-**	-
Weighted average number of available shares	**286,370**	168,875
Basic and diluted loss per share – R$	**(1.64984)**	(0.09381)

36. Events after the reporting period

Paycheck Protection Program and Health Care Enhancement Act.

In December 2020, the Company submitted all the documentation corresponding to the Paycheck Protection Program and Health Care Enhancement Act to analysis by the appropriate agencies.

On January 13, 2021, the Company received confirmation that 100% of the amount received under the U.S. Government program (PPP) has been duly forgiven, and thus there is no further obligation with the appropriate agencies.

Paycheck Protection Program and Health Care Enhancement Act) – Second Phase

On February 24, 2021, the United States government signed the second phase of H.R. 266, the Paycheck Protection Program and Health Care Enhancement Act. The characteristics of the second phase of the program are the same as those of the initial program.

36. Events after the reporting period--Continued

Paycheck Protection Program and Health Care Enhancement Act – Second phase--Continued

IMCMV Holdings, Inc requested a loan for 4 of its stores (subsidiaries). The loan requests amounted to US$ 4 million. All loans were approved, and the resources were transferred to the subsidiaries' accounts by March 3, 2021.

Master Franchise Agreement - KFC

The Company received, on January 18, 2021, a notice of termination of the master franchise agreement by Kentucky Fried Chicken International Holdings LLC ("KFC"), with effects as from that date, and on January 26, 2021, the Company became aware of the request for arbitration filed by KFC against the Company.

In addition, KFC filed for a provisional remedy with the 2nd Business and Arbitration Court of the Judicial District of São Paulo, which is being prosecuted under a closed proceeding ("Provisional Remedy"), and on February 26, 2021, a decision was issued, which: (i) denied KFC's requests under the Provisional Remedy, especially regarding the request to revoke the exclusivity of KSR Master Franquia Ltda., a subsidiary of the Company, in conducting the operation of KFC in Brazil (the agreement, therefore, remains in effect); and (ii) only authorized KFC to negotiate with potential partners for the expansion of the KFC network in Brazil, emphasizing that the existence of the dispute subject of the Provisional Remedy constitutes essential information to any interested party.

The decision regarding the Provisional Remedy was rendered by the lower court of the São Paulo Court of Appeals, which rejected the request for a preliminary injunction in an interlocutory appeal filed by KFC. The interlocutory appeal is also being prosecuted under a closed proceeding. The dispute will be resolved in an arbitration.

The Company, based on its best judgment, and supported by the opinion of its legal counsel, and considering the evidence available at this time and the arguments that will be presented to the Arbitration Court, understands that the chances of the arguments presented by KFC for termination of the KFC Master Franchise Agreement prevailing at the end of the ongoing proceedings are remote.

37. Authorization of the individual and consolidated financial statements

At the meeting held on March 29, 2021, the Board of Directors approved and authorized for issue these individual and consolidated financial statements.

Comments on the business projections

There are no comments to be reported

Other relevant information

There is no relevant information to be disclosure.

Opinion of the supervisory board or equivalent institute

Not applicable

Opinion of Executive Board on the Financial Statements

In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, the Board states that in the reviewed, discussed and agreed with the Company's Annual Financial Statements Form , for the year end December 31, 2020.

São Paulo, March 29, 2021.

Newtom Maia Salomão Alves
Chief Executive Officer

Maristela Aprecida do Nascimento
Financial Administrative and Investor Relations Director.

Opinion of Executive Board on Independent Auditor's Report

In accordance with section V of article 25 of CVM Instruction 480, of December 7, 2009, the Board states that in the reviewed, discussed and agreed with the Independent Auditors’ Report on the Company’s Annual Financial Statements Form , for the year end December 31, 2020.

São Paulo, March 29, 2021.

Newtom Maia Salomão Alves
Chief Executive Officer

Maristela Aparecida do Nacimento
Financial Administrative and Investor Relations Director.