Financial Statements

International Meal Company Alimentação S.A. and Subsidiaries

December 31, 2019

São Paulo Corporate Towers
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A free translation from Portuguese into English of 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, 2019, and the statements of profit or loss, of comprehensive income, of changes in equity and 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, 2019, 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 the 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, 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 of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not 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$864,833 thousand, which accounts for 32% of the Company’s consolidated assets at December 31, 2019.

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 in stores, discount rates and estimated margin to determine the value in use, which are complex and subjective, and require the use of judgment by Company management.

How our audit has addressed this matter:

Our audit procedures included, among others, the involvement of valuation specialist to help us test goodwill for impairment and determine whether the discounted cash flow model, assumptions and methodologies by the Company used were adequate. 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 carried out to determine whether these assumptions were reasonable and the integrity of information used by the Company. We also focused upon whether Company’s disclosures on the most sensitive assumptions used in the impairment testing, i.e., those with the most significant effect on determining goodwill recoverable amount, were adequate.

In addition, we compared the recoverable amount determined by management based on the discounted cash flows per cash generating unit with the respective carrying amount of the cash generating unit, which includes goodwill, and assessed whether disclosures in Note 14 to the financial statements at December 31, 2019 were adequate.

Based on the result of our audit procedures on the annual impairment testing of goodwill, which is consistent with management’s evaluation, 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 tax assets

As disclosed in Note 22, the Company accounted for deferred income and social contribution tax assets amounting to R$138,965 thousand at December 31, 2019, computed on temporary differences, income tax losses and negative social contribution bases. The Company assessed the recoverability of this 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 level 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.

How our audit has 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 and the rate to calculate the present value of those projections. Future taxable profit projections were prepared based on the Company's business plan, which was approved by management bodies. We also assessed whether the disclosures related to this matter in Note 22 were adequate.

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 evaluation, we consider that the criteria and assumptions adopted by management, as well as the respective disclosures in Note 22, are acceptable, in the context of the overall financial statements.

First-time adoption of new accounting pronouncement – IFRS16/NBC TG 06 (R3) - Leases

As disclosed in Notes 3(l) and 15 to the financial statements at December 31, 2019, on January 1, 2019, the Company adopted new accounting pronouncement NBC TG 06 (R3) - Leases, equivalent to IFRS 16 – Leases issued by the International Accounting Standards Board (IASB), based on the modified retrospective approach, which results in prospective application of the accounting pronouncement. Adoption of this accounting pronouncement resulted in the recognition of a right-of-use asset and lease liability in the opening balance of the statement of financial position at January 1, 2019 in the amounts of R$17,106 thousand in the individual financial statements and R$405,398 thousand in the consolidated financial statements, respectively.

Adoption of IFRS16/NBC TG 06 (R3) was considered as a key audit matter, as, in addition to the materiality of amounts recorded in the financial statements, it involved significant judgment by Company management in determining the incremental borrowing rate and terms of lease agreements, which are key estimates used to estimate the right-of-use asset and lease liability. Changes in these estimates can significantly impact amounts recognized by the Company.

How our audit has addressed this matter:

Our audit procedures included, among others: gaining understanding of the process implemented by management; assessing the Company's interpretation of the lease terms and conditions and significant judgments applied to determine lease terms; assessing accounting policies and practical expedients adopted by management, involving our corporate finance specialists in the assessment of the criteria and assumptions used by Company management in determining the incremental interest rate, and conducting tests to assess the mathematical accuracy of right-of-use asset and lease liability amounts and the integrity and accuracy of data used in the calculations made by Company management.

In addition, we assessed whether disclosures made by the Company, in connection with adoption of IFRS16/NBC TG 06 (R3), were adequately included in Notes 3(l) and 15 to the financial statements at December 31, 2019.

Based on the result of our audit procedures conducted, which is consistent with management's evaluation, we consider that the criteria and assumptions adopted by management to remeasure opening balances of assets and liabilities and other adjustments, as well as the respective disclosure in the Notes 3(l) and 15, are acceptable, in the context of the overall financial statements.

Business combination

As disclosed in Note 5 to the financial statements at December 31, 2019, the Company acquired, on October 31, 2019, control over MultiQSR Gestão de Restaurantes S.A. (hereinafter "Acquiree"), and recorded this business combination using the acquisition method. It computed R$159,703 thousand in goodwill after the purchase price allocation process.

This was considered as a key audit matter given the materiality and comprehensiveness of its impact on the financial statements, and the assessment and judgment exercised by management to measure the fair value of assets acquired and liabilities assumed, and the resulting purchase price allocation.

How our audit has addressed this matter:

Our audit procedures included, among others: gaining understanding of the process implemented by management on the business combination process and in determining the purchase price allocation; conducting audit procedures on the acquiree's opening balances at the acquisition date as part of determining the fair values of assets acquired and liabilities assumed, including a review of whether the Company's accounting practices were in line with the acquiree's; and involving our corporate finance specialists to help us assess the assumptions and methodologies used by management in measuring and recognizing the fair values of assets acquired, liabilities assumed and goodwill.

In addition, we assessed whether the respective disclosures made by the Company were adequately included in Note 5 to the financial statements at December 31, 2019.

Based on the results of the audit procedures, which is consistent with management's assessment, we consider that the assessments and judgments exercised by management to measure the fair value of assets acquired and liabilities assumed and the resulting purchase price allocation, as well as the disclosures in the respective Note, 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, 2019, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

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

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

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

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

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

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

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

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

São Paulo, March 30, 2020

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

We ended 2019 with consolidated net revenue expanding 1.3% to R$ 1.6 million. Our gross profit reached R$ 512.7 million, 0.7% above 2018, and with a margin of 0.2 bps greater than last year reaching 32.0%. Consolidated adjusted EBITDA reached R$ 228.4 million in 2019, an increase of 67.8% compared to 2018, with an increase of 6 bps in the margin, reaching 8.6%. The net loss for the year was R$ 15.8 million, compared to a profit of R$ 7.9 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 revenue growth and a slight margin expansion. Our airport, restaurant and catering business was impacted by Avianca's departure from the market, which reduced the number of flights and passengers at airports and, finally, our shopping mall business, which showed an increase in revenue with the addition of the Pizza Hut brands. and KFC at the end of the year, but presented a drop in operating results due to higher expenses with production outsourcing and stores in the maturation process. In Brazil, in 2019, we started and completed the central kitchen, a work so much awaited by us. We incorporate two iconic brands, which operate in relevant markets, such as Pizza Hut in the pizza market and KFC, one of the largest chicken fast food chains in the world. The negative and occasional impacts throughout the year refer to Avianca's departure from the market, which affects our airport operations, as well as the construction of the kitchen, which caused us to outsource part of the production increasing our cost.

Our Caribbean operation, represented by restaurants at Tocumen airport in Panama and 8 catering operations in Colombia, was impacted by the opening of some doors at the new airport terminal, which affected the flow at the existing terminal and where we are present. Today we have 13 stores in the existing terminal and we will have 11 stores in the new terminal that have not yet started operations.

In the United States, where we operate with restaurants mainly of the Margaritaville brand, the devaluation of the Real throughout the year mitigated the negative impacts of Hurricane Dorian in 2019.

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

Consolidated Results

(in R$ million)	12M19	12M18	%
Net Revenues	1.603,0	1.582,1	1,3%
Gross Profit	512,7	509,1	0,7%
Net Earnings	(15,8)	7,9	(300,0%)

Net Revenues

In 2019, IMC's net revenues totaled R$1,6 million, a 1.3% growth compared to 2018. Such evolution is due to the positive performance in same store sales in Brazil, and Pizza Hut and KFC addition at the end of the period.

Costs of Sales and Services

In 2019, Company's costs of sales and services amounted to R$1,1 million, representing 68,0% of net revenues compared to 67.8% in 2018, therefore a 0.2 bps increase.

Gross Profit

Consequently, IMC's gross profit reached R$512.7 million in 2019, a 0.7% increase compared to 2018, with a 32.0% gross margin, up 0.2 bps from 2018.

Operating Expenses

Sales and Operating Expenses: sales and operating expenses amounted to R$251.5 million in 2019, representing a 24.9% increase compared to 2018, or a 5.5 bps drop.

G&A: G&A expenses totaled R$135.1 million in 2019, compared to R$114.2 million in 2018, which represents a 1.2 bps decline.

Depreciation and Amortization: D&A expenses were increased from R$27.7 million in 2018 to R$99.6 million in 2019, a 259.3% increase.

Impairment: there was also an decrease on impairment expenses to a negative R$3.9 million in 2019, compared to a positive R$6.0 million in 2018.

Other income (expenses): in 2019, other expenses totaled R$17.1 million, compared to an income of R$7.9 million in 2018.

Equity Income: in 2019, equity income increased 42.4%, totaling R$9.8 million compared to R$6.9 million in 2018.

Financial Result: in 2019, net financial result was negative R$57.4 million, compared to R$17.4 million in 2018.

Income Taxes

The Income tax was an expense of R$7.9 million in 2019, compared to an expenses reversal that totaled R$0.2 million in 2018.

Net Income (Loss)

Consequently, IMC posted a net loss of R$15.8 million in 2019, compared to a net income of R$7.9 million in 2018.

Relationship with external auditors

In compliance with CVM Instruction number 381/03, in the fiscal year ended December 31, 2019 Ernst & Young Assessoria Empresarial Ltda. was hire to perform services not related to external audit (a) advising in the preparation of Due Diligence, having been hire in March 2019, representing the amount of R$ 901 thousand. 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.

International Meal Company Alimentação S.A. and Subsidiaries

Balance sheets
December 31, 2019 and December 31, 2018
(Amounts in thousands of reais - R$)

		Parent		Consolidated	
	Note	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Assets					
Current assets					
Cash and cash equivalents	**8**	**140,081**	130,228	**332,806**	268,561
Trade receivables	**9**	**15,503**	14,711	**62,905**	78,907
Inventories	**10**	**4,030**	2,411	**53,202**	37,742
Taxes recoverable	**11**	**20,099**	18,808	**90,260**	61,658
Derivative financial instruments	**7.c)**	**-**	-	**149**	53
Prepaid expenses		**1,189**	1,491	**8,646**	5,278
Other current assets		**807**	786	**8,311**	6,106
Total current assets		**181,709**	168,435	**556,279**	458,305
Noncurrent assets					
Financial investments		**-**	-		20
Trade receivables	**9**	**776**	2,504	**1,376**	3,907
Derivative financial instruments	**7.c)**	**-**	-	**-**	40
Judicial deposits		**3,355**	2,854	**13,666**	12,070
Receivables from related parties	**31.b)**	**128,285**	20,215	**2,535**	-
Deferred income tax and social contribution	**22.a)**	**-**	-	**17,509**	9,863
Other noncurrent assets		**3,809**	3,703	**13,394**	17,006
Investments in subsidiaries and joint venture	**12**	**1,200,319**	942,933	**22,832**	24,254
Property, plant and equipment	**13**	**22,900**	23,668	**372,677**	259,399
Intangible assets	**14**	**123,165**	127,416	**1,300,340**	853,618
Right of use	**15**	**16,258**	-	**385,042**	-
Total noncurrent assets		**1,498,867**	1,123,293	**2,129,371**	1,180,177
Total assets		**1,680,576**	1,291,728	**2,685,650**	1,638,482

The accompanying notes are an integral part of these individual and consolidated financial statements.

International Meal Company Alimentação S.A. and Subsidiaries

Balance sheets
December 31, 2019 and December 31, 2018
(Amounts in thousands of reais - R$)

		Parent		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Liabilities and equity					
Current liabilities					
Trade payables	16	**14,568**	14,847	**188,097**	80,980
Borrowings and debentures	17	**7,485**	149,397	**83,202**	189,595
Payroll and related taxes	18	**17,909**	12,779	**65,935**	55,676
Taxes payable		**2,030**	1,123	**27,367**	16,141
Deferred revenue		**833**	1,137	**16,361**	7,675
Installment payment of business acquisitions	19	**-**	-	**6,394**	6,528
Proposed dividends		**-**	1,875	**-**	1,875
Agreements and installment payment of labor suits		**283**	169	**1,133**	1,037
Right of use (“lease”)	15	**4,942**	-	**92,060**	-
Other current liabilities		**-**	-	**14,413**	16,847
Total current liabilities		**48,050**	181,327	**494,962**	376,354
Noncurrent liabilities					
Borrowings and debentures	17	**387,789**	-	**478,470**	108,113
Payables to related parties	31.c)	**51,059**	59,542	**3,080**	-
Agreements and installment payment of labor suits		**74**	129	**74**	129
Provision for labor, civil and tax risks	20	**6,809**	4,804	**84,680**	12,900
Deferred revenue		**803**	1,368	**19,231**	9,707
Deferred income tax and social contribution	22.a)	**25,859**	28,048	**77,502**	71,575
Installment payment of business acquisitions	19	**-**	-	**35,164**	30,182
Right of use (“lease”)	15	**12,094**	-	**309,162**	-
Other noncurrent liabilities		**2,933**	1,292	**38,219**	14,304
Total noncurrent liabilities		**487,420**	95,183	**1,045,582**	246,910
Equity					
Capital	23	**786,065**	876,281	**786,065**	876,281
Capital reserve		**297,043**	83,608	**297,043**	83,608
Reserve for stock option plan	24	**28,937**	23,293	**28,937**	23,293
Earnings reserve		**-**	8,814	**-**	8,814
Accumulated losses		**(7,028)**	-	**(7,028)**	-
Other comprehensive income (loss)		**40,089**	23,222	**40,089**	23,222
Total equity		**1,145,106**	1,015,218	**1,145,106**	1,015,218
Total liabilities and equity		**1,680,576**	1,291,728	**2,685,650**	1,638,482

The accompanying notes are an integral part of these individual and consolidated financial statements.

International Meal Company Alimentação S.A. and Subsidiaries
Statements of profit or loss
Years ended December 31, 2019 and 2018
(Amounts in thousands of reais - R$, except earnings (loss) per share)

	Note	Parent		Consolidated	
		12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Net revenue	25	**147,492**	167,030	**1,603,262**	1,582,081
Cost of sales and services	30	**(103,892)**	(111,105)	**(1,090,557)**	(1,073,012)
Gross profit		**43,600**	55,925	**512,705**	509,069
Operating income (expenses)					
Selling and operating expenses	26	**(18,908)**	(25,021)	**(251,487)**	(334,883)
General and administrative expenses	27	**(41,813)**	(26,655)	**(135,148)**	(114,205)
Depreciation and amortization	30	**(15,613)**	(12,086)	**(99,622)**	(27,728)
Impairment (reversal) of assets	30	**(1,098)**	15	**(3,877)**	(6,029)
Other operating income (expenses), net	28	**(472)**	(2,003)	**17,070**	(7,925)
Share of profit (loss) of investees	12 and 30	**33,993**	52	**9,778**	6,866
Operating profit (loss) before finance income (expense) and income tax and social contribution		**(311)**	(9,773)	**49,419**	25,165
Finance income (expense), net	29	**(16,489)**	22,976	**(57,378)**	(17,442)
Profit (loss) before income tax and social contribution		**(16,800)**	13,203	**(7,959)**	7,723
Current income tax and social contribution	22.c)	**-**	(735)	**(8,671)**	(8,472)
Deferred income tax and social contribution	22.c)	**958**	(4,574)	**788**	8,643
Profit (loss) for the year		**(15,842)**	7,894	**(15,842)**	7,894
Attributable to:					
Owners of the Company		**(15,842)**	7,894	**(15,842)**	7,894
Earnings (loss) per share - R$					
Basic (cents per share)	34	**(0.09381)**	0.04875	**(0.09381)**	0.04875
Diluted (cents per share)	34	**(0.09381)**	0.04866	**(0.09381)**	0.04866

The accompanying notes are an integral part of these individual and consolidated financial statements.

International Meal Company Alimentação S.A. and Subsidiaries

Statements of comprehensive income (loss)
Years ended December 31, 2019 and 2018
(Amounts in thousands of reais - R$)

	Parent		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Profit for the year	**(15,842)**	7,894	**(15,842)**	7,894
Translation adjustments in the balance sheet of foreign subsidiaries	**16,867**	35,771	**16,867**	36,670
	16,867	35,771	**16,867**	36,670
Total comprehensive income for the year	**1,025**	43,665	**1,025**	44,564
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owners of the Company	**1,025**	43,665	**1,025**	43,665
Noncontrolling interest	**-**	-	**-**	899
	1,025	43,665	**1,025**	44,564

The accompanying notes are an integral part of these individual and consolidated financial statements.

International Meal Company Alimentação S.A. and Subsidiaries

Statements of changes in equity
Years ended December 31, 2019 and 2018
(Amounts in thousands of reais - R$)

		Capital reserve				Earnings reserve					
	Capital	Capital reserve	Treasury shares	Total earnings reserve	Reserve for stock option plan	Legal reserve	Earnings reserve	Total earnings reserve	Accumulated losses	Other comprehensive income (loss)	Total equity
Balance as of December 31, 2018	876,281	134,759	(51,151)	83,608	23,293	578	8,236	8,814	-	23,222	1,015,218
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15,842)**	**-**	**(15,842)**
Translation adjustments in the balance sheet of foreign subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,867**	**16,867**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15,842)**	**16,867**	**1,025**
Capital reduction	**(100,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**(100,000)**
Use of earnings reserve	**-**	**-**	**-**	**-**	**-**	**(578)**	**(8,236)**	**(8,814)**	**8,814**	**-**	**-**
Capital increase and legal reserve for the incorporation of MultiQSR shares	**9,784**	**207,099**	**-**	**207,099**	**-**	**-**	**-**	**-**	**-**	**-**	**216,883**
Treasury shares acquired	**-**	**-**	**(2,428)**	**(2,428)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,428)**
Treasury shares sold	**-**	**(3,898)**	**12,662**	**8,764**	**-**	**-**	**-**	**-**	**-**	**-**	**8,764**
Stock option plan	**-**	**-**	**-**	**-**	**5,644**	**-**	**-**	**-**	**-**	**-**	**5,644**
Balance as of December 31, 2019	**786,065**	**337,960**	**(40,917)**	**297,043**	**28,937**	**-**	**-**	**-**	**(7,028)**	**40,089**	**1,145,106**

The accompanying notes are an integral part of these individual and consolidated financial statements.

International Meal Company Alimentação S.A. and Subsidiaries

Statements of changes in equity--Continued
Years ended December 31, 2019 and 2018
(Amounts in thousands of reais - R$)

		Capital reserve				Earnings reserve							
	Capital	Capital reserve	Treasury shares	Total capital reserve	Reserve for stock option plan	Legal reserve	Earnings reserve	Total earnings reserve	Accumulated losses	Other comprehensive income (loss)	Equity attributable to owners of the Company	Noncontrolling interests	Total equity
Balance as of December 31, 2017	876,281	136,764	(20,714)	116,050	13,725	183	2,612	2,795	-	(12,549)	996,302	7,663	1,003,965
Profit for the year	-	-	-	-	-	-	-	-	7,894	-	7,894	-	7,894
Translation adjustments in the balance sheet of foreign subsidiaries	-	-	-	-	-	-	-	-	-	35,771	35,771	899	36,670
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	7,894	35,771	43,665	899	44,564
Treasury shares sold	-	(2,005)	5,840	3,835	-	-	-	-	-	-	3,835	-	3,835
Treasury shares acquired	-	-	(36,277)	(36,277)	-	-	-	-	-	-	(36,277)	-	(36,277)
Stock option plan	-	-	-	-	9,568	-	-	-	-	-	9,568	-	9,568
Recognition of legal reserve	-	-	-	-	-	395	-	395	(395)	-	-	-	-
Recognition of earnings reserve	-	-	-	-	-	-	5,624	5,624	(5,624)	-	-	-	-
Dividends proposed	-	-	-	-	-	-	-	-	(1,875)	-	-	-	(1,875)
Effect of the termination of the operating agreement involving foreign subsidiary (a)	-	-	-	-	-	-	-	-	-	-	-	(8,562)	(8,562)
Balance as of December 31, 2018	876,281	134,759	(51,151)	83,608	23,293	578	8,236	8,814	-	23,222	1,015,218	-	1,015,218

(a) On August 17, 2018, the Company concluded the negotiations for the termination of the operating agreement with an investor that held noncontrolling interest in one of the subsidiaries located in the United States of America. As a result of such transaction, the Company started to hold 100% interest in this subsidiary and calculated such gain, which offset other incurred costs.

The accompanying notes are an integral part of these individual and consolidated financial statements.

International Meal Company Alimentação S.A. and Subsidiaries

Statements of cash flows
Years ended December 31, 2019 and 2018
(Amounts in thousands of reais - R$)

	Note	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash flows from operating activities					
Profit (loss) for the year		(15,842)	7,894	(15,842)	7,894
Adjustments to reconcile profit for the year from continuing operations to net cash used in operating activities:					
Depreciation and amortization	30	16,371	16,879	79,004	77,639
Depreciation of right of use		3,874	-	70,403	-
Impairment of intangible assets (utilization)	13 e 14	-	(54)	(2,662)	(4,499)
Impairment of intangible assets (provision/reversal)		1,098	-	3,877	6,028
Write-off of property, plant and equipment and intangible assets		695	1,175	4,022	8,493
Amortization of investment in joint venture		-	-	2,462	2,281
Share of profit (loss) of investees	12	(33,993)	(52)	(12,234)	(9,147)
Provision for (reversal of) labor, civil and tax risks	21	5,379	4,058	12,978	10,910
Income tax and social contribution	22 c)	(958)	5,309	7,884	(171)
Interest on borrowings	29	19,940	919	29,531	11,451
Interest on business acquisitions and on commercial rights	29	-	-	1,704	1,937
Interest on lease	15	1,801	-	33,691	-
Exchange gains (losses)	29	955	1,724	(333)	1,774
Share-based payment		5,644	9,568	5,644	9,568
Deferred revenue and discounts recognized		(870)	(3,377)	(4,751)	(3,423)
Effect of the termination of the operating agreement involving foreign subsidiaryd		-	-	-	(12,471)
Gain on waiver of borrowings of related party		-	(27,782)	-	
Several provisions and others		16,135	(1,401)	(19,920)	(3,966)
		20,229	14,860	195,458	104,298
Changes in operating assets and liabilities:					
Trade receivables		1,033	3,661	24,193	8,928
Inventories		(1,618)	789	(9,248)	9,342
Taxes recoverable		1,529	(4,430)	24,333	2,324
Prepaid expenses		302	1,298	(9,492)	16
Trade payables		(14,776)	(1,242)	(338)	(4,755)
Related parties		(117,098)	(7,240)	-	-
Interest on capital received	12	8,803	-	-	-
Payment of labor, civil and tax risks	20	(3,314)	(3,207)	(11,106)	(13,345)
Other operating assets and liabilities		6,615	(4,658)	3,116	(15,121)
Cash generated by operating activities		(98,295)	(169)	216,916	91,687
Income tax and social contribution paid		(1,061)	(63)	(8,214)	(3,748)
Interest paid on borrowings		(13,014)	(27)	(22,644)	(10,708)
Interest paid on lease liability (“right of use”)		(779)	-	(12,185)	-
Interest paid on business acquisitions and on commercial rights		-	-	(3,009)	(922)
Net cash provided by operating activities		(113,149)	(259)	170,864	76,309
Cash flows from investing activities			-		(576)
Acquisition of noncontrolling interest		-	18,063	-	-
Payment of business acquisitions made in prior years		-	-	(5,211)	(6,983)
Dividends received	12	-	-	11,900	11,706
Proceeds from sale of discontinued operation		-	-	3,694	1,322
Additions to intangible assets, net of balance payable in installments		(7,976)	(2,367)	(11,482)	(8,093)
Additions to property, plant and equipment, net of balance payable in installments		(5,743)	(4,176)	(132,151)	(70,746)
Cash from acquisition of companies		-	-	22,630	
Net cash used in investing activities		(13,719)	11,520	(110,620)	(73,370)
Cash flow from financing activities					
Capital increase (decrease)		(100,000)		(100,000)	
Payment of dividends		(1,875)	(871)	(1,875)	(871)
Treasury shares acquired		(2,428)	(36,277)	(2,428)	(36,277)
Treasury shares sold		8,764	3,835	8,764	3,835
New borrowings, net of borrowing costs		386,377	148,605	453,570	148,605
Amortization of lease liability (“right of use”)		(4,117)	-	(79,724)	-
Repayment of borrowings		(150,000)	(75)	(280,249)	(43,696)
Net cash provided by (used in) financing activities		136,721	115,217	(1,942)	71,596
Effect of exchange rate changes on cash and cash equivalents		-	-	5,943	10,438
NET CHANGE IN THE YEAR		9,853	126,478	64,245	84,973
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		130,228	3,750	268,561	183,588
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		140,081	130,228	332,806	268,561

The accompanying notes are an integral part of these individual and consolidated financial statements.

International Meal Company Alimentação S.A. and Subsidiaries

Statements of value added
Years ended December 31, 2019 and 2018
(Amounts in thousands of reais - R$)

	Note	Parent 12/31/2019	Parent 12/31/2018	Consolidated 12/31/2019	Consolidated 12/31/2018
Revenues					
Sales of goods, products and services	25	**161,123**	179,667	**1,703,414**	1,683,130
Other revenues	28	**5,493**	3,751	**34,088**	15,215
Allowance for expected credit losses		**97**	(3,706)	**(15,297)**	(3,272)
		166,713	179,712	**1,722,205**	1,695,073
Inputs purchased from third parties					
Cost of sales and services	30	**(38,506)**	(42,529)	**(564,973)**	(549,490)
Materials, electric power, outside services and others		**(27,235)**	(25,842)	**(171,883)**	(167,960)
Others		**7,631**	17,074	**(119,289)**	(137,443)
		(58,110)	(51,297)	**(856,145)**	(854,893)
Gross value added		**108,603**	128,415	**866,060**	840,180
Depreciation and amortization	30	**(16,371)**	(16,879)	**(81,466)**	(79,920)
Impairment of intangible assets (uses)		**(1,098)**	15	**(3,877)**	(6,029)
Value added created by the Company		**91,134**	111,551	**780,717**	754,231
Value added received in transfer					
Share of profit (loss) of investees	12	**33,933**	52	**12,241**	9,147
Exchange rate changes	29	**(955)**	(1,724)	**333**	(1,774)
Finance income	29	**10,275**	28,412	**18,067**	9,669
		43,253	26,740	**30,641**	17,042
Total value added for distribution		**134,387**	138,291	**811,358**	771,273
Value added distributed					
Personnel:					
Payroll and related taxes		**86,436**	84,085	**481,333**	480,812
Management fees		**12,110**	8,845	**12,110**	8,845
Share-based payment	32	**4,667**	7,813	**4,667**	7,813
	30	**103,213**	100,743	**498,110**	497,470
Taxes, fees and contributions:					
Taxes on sales	25	**14,438**	12,218	**61,621**	68,731
Income tax and social contribution	22,c)	**(958)**	5,309	**7,884**	(171)
		13,480	17,527	**69,505**	68,560
Lenders and lessors:					
Interest		**21,741**	919	**64,926**	13,388
Royalties		**-**	-	**26,047**	23,652
Rentals		**11,795**	11,208	**168,612**	160,309
		33,536	12,127	**259,585**	197,349
Shareholders:					
Profit (loss) for the year		**(15,842)**	7,894	**(15,842)**	7,894
		(15,842)	7,894	**(15,842)**	7,894
		134,387	138,291	**811,358**	771,273

The accompanying notes are an integral part of these individual and consolidated financial statements.

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”) and in the sale of food for airline catering services (“catering”) and the operation of franchises. 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, 2019, 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 (“Incorporation”), 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.

2. Preparation and presentation of the Financial Statements

a) <u>Statement of compliance</u>

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.

2. Preparation and presentation of the Financial Statements -- Continued

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.

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$

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.

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

3. Significant accounting policies--Continued

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.

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:

	12/31/2019		12/31/2018	
	Direct interest - %	Indirect interest - %	Direct interest - %	Indirect interest - %
IMC Puerto Rico Ltd. (Bermudas)	100.00	-	100.00	-
International Meal Company Panamá, S.A. (Panamá)	-	100.00	-	100.00
International Meal Company F&B Panamá, S.A. (Panamá)	-	100.00	-	100.00
IMC Airport Shoppes S.A.S. (Colômbia)	-	100.00	-	100.00
Pimenta Verde Alimentos Ltda. (Brasil)	99.99	0.01	99.99	0.01
Niad Restaurantes Ltda. (Brasil)	63.95	36.05	63.95	36.05
Centro de Serviços Frango Assado Norte Ltda. (Brasil)	91.30	8.70	89.08	10.92
Carvalho Pinto Automotivos e Conveniências Ltda. (Brasil)	-	-	99.99	0.01
Tob's Lanches Sul Ltda. (Brasil)	99.99	0.01	99.99	0.01
Brivido Comércio de Alimentos Ltda. (Brasil)	99.99	0.01	99.99	0.01
MultiQSR Gestão de Restaurantes S.A (Brasil)	99.99	0.01	-	-
Multi PHSR Participações Ltda. (Brasil)	-	100.0	-	-
Multi KSR Participações Ltda. (Brasil)	-	100.0	-	-
PHSR Master Franquia Ltda. (Brasil)	-	100.0	-	-
PHSR Gestão de Restaurantes Ltda. (Brasil)	-	100.0	-	-
KSR Master Franquia Ltda (Brasil)	-	100.0	-	-
Inventure Restaurantes Ltda. (Brasil)	-	100.0	-	-

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

3. Significant accounting policies--Continued

b) Basis of consolidation--Continued

	12/31/2019		12/31/2018	
	Direct interest - %	**Indirect interest - %**	**Direct interest - %**	**Indirect interest - %**
PHSR Campinas Barão Geraldo Restaurantes Ltda. (Brasil)		100.00	-	-
PHSR Campinas Chácara Primavera Restaurante Ltda.		100.00	-	-
Miller Fast Food Alimentos Ltda				
IMC Caribbean Holding Corp (Porto 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”

3. Significant accounting policies--Continued

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 acquiree. The acquiree's 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.

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 acquiree's 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.

3. Significant accounting policies--Continued

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. 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.

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 2019 and concluded that there are no changes to be made for this year.

3. Significant accounting policies--Continued

g) Property, plant and equipment--Continued

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.

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

3. Significant accounting policies--Continued

h) Intangible assets--Continued

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.

i) 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.

j) 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.

3. Significant accounting policies--Continued

j) Impairment of tangible and intangible assets other than goodwill--Continued

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.

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.

k) Income tax and social contribution benefit

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

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.

3. Significant accounting policies--Continued

k) Income tax and social contribution--Continued

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.

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.

l) Right of use (“lease”)

NBC TG 06 (R3) / IFRS 16 introduced a single recognition approach for leases in lessee’s accounting information. As a result, the Company, as a lessee, recognized right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company previously classified leases as operating leases or finance leases based on its assessment of whether the lease substantially transferred all the risks and rewards for the use of the asset. Under NBC TG 06 (R3) / IFRS 16, the Company recognizes right-of-use assets and lease liabilities in the statements of financial position for most lease contracts.

Policy applicable as of January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee:

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

3. Significant accounting policies--Continued

As lessee--Continued:

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.

As lessor:

When the Group acts as a lessor, it determines at the inception of the lease whether each lease is a finance lease or an operating lease.

In order to classify each lease, the Group makes a general assessment as to whether the lease transfers substantially all the risks and rewards of ownership of the underlying asset. If this is the case, the lease is a finance lease; if not then it is an operating lease.

Contracts where the Group is the lessor were classified as operating leases and the Group recognized lease payments received as revenue on a straight-line basis over the lease term.

Effects of transition

The Company applied IFRS16/NBC TG 06 (R3) using the modified retrospective approach, which does not require restatement of the corresponding amounts, does not impact equity, and allows the adoption of practical procedures. Therefore, the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported in accordance with NBC TG 06 (R2) and related interpretations.

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

3. Significant accounting policies--Continued

l) Right of use ("lease")—Continued

On transition, for leases classified as operating leases under IFRS16/NBC TG 06 (R3), lease liabilities were measured using the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate at January 1, 2019. The right-of-use assets were measured at an amount equal to the lease liabilities at the initial adoption date, plus prepayments, less incentives received from the lessors.

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. In addition, the Company did not consider initial direct costs of measuring a right-of-use asset on the initial application date.

When measuring lease liabilities for those leases previously classified as operating leases, the Company discounted lease payments using an incremental rate at January 1, 2019 (nominal rate) that reflects the Company's borrowing rate under market conditions. The weighted average rate applied was 10.19% to 12.68% per year, depending on the terms of the agreements.

The application of the aforementioned criteria resulted in the recognition, at January 1, 2019, of a right-of-use asset and a lease liability ("right-of-use") in the amount of R$ 405,398 (Consolidated). Details on the breakdown of balances, the recording of the opening balances, as well as any changes up to December 31, 2019 are stated in Note 15.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

Operating lease commitments as of December 31, 2018	**686,188**
Exclusion of PIS and COFINS in future payments	(63,472)
Weighted discount rate	11.99%
Lease contract discounted as of January 1, 2019	**485,770**
Lease commitments relating to short-term leases, leases of low-value assets and variables	(80,372)
Lease liabilities as of January 1, 2019	**405,398**

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

3. Significant accounting policies--Continued

l) Right of use ("lease")—Continued

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.

The impacts of IFRS16/NBC TG 06 (R3) as of December 31, 2019 are as follows:

i) *Impacts on the Balance Sheets*

		Parent			Consolidated		
December 31, 2019		**As reported**	**Adjustments**	**Amounts without the adoption of CPC 06 (R2)/IFRS 16**	**As reported**	**Adjustments**	**Amounts without the adoption of CPC 06 (R2)/IFRS 16**
Assets							
Current assets		**181,709**	**-**	**181,709**	**556,279**	**-**	**556,279**
Noncurrent assets		**1,498,867**	**(5,519)**	**1,493,348**	**2,129,371**	**(385, 042)**	**1,744,329**
Other		159,125	-	159,125	403,648		403,648
Deferred income tax and social contribution		-	-	-	17,509	-	17,509
Investments		1,200,319	10,739	1,211,058	22,832	-	22,832
Intangible assets		123,165	-	123,165	1,300,340	-	1,300,340
Right-of-use assets	(a)	16,258	(16,258)	-	385,042	(385,042)	-
Total assets		**1,680,576**	**(5,519)**	**1,675,057**	**2,685,650**	**(385,042)**	**2,300,608**

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

3. Significant accounting policies—Continued

l) Right of use ("lease")--Continued

i. *Impacts on the Balance Sheets--Continued*

		Parent			Consolidated		
December 31, 2019		**As reported**	**Adjustments**	**Amounts without the adoption of CPC 06 (R2)/IFRS 16**	**As reported**	**Adjustments**	**Amounts without the adoption of CPC 06 (R2)/IFRS 16**
Liabilities							
Current liabilities		**48,050**	**(4,942)**	**43,108**	**494,962**	**(92,060)**	**402,902**
Other		43,108	-	43,108	402,902		402,902
Lease liabilities (Right of use)	(a)	4,942	(4,942)	-	92,060	(92,060)	-
Noncurrent liabilities		**487,420**	**(11,829)**	**475,591**	**1,045,582**	**(304,235)**	**741,347**
Other		449,467	-	449,467	658,918	1,537	660,455
Deferred income tax and social contribution		25,859	265	26,124	77,502	3,390	80,892
Lease liabilities (Right of use)	(a)	12,094	(12,094)	-	309,162	(309,162)	-
Equity		**1,145,106**	**11,253**	**1,156,359**	**1,145,106**	**11,253**	**1,156,359**
Other		1,160,948	-	1,160,948	1,160,948	-	1,160,948
Accumulated losses	(b)	(15,842)	11,253	(4,589)	(15,842)	11,253	(4,589)
Total liabilities		**1,680,576**	**(5,518)**	**1,675,058**	**2,685,650**	**(385,042)**	**2,300,608**

ii. *Impacts on the Statements of Profit or Loss*

		Parent			Consolidated		
December 31, 2019		**As reported**	**Adjustments**	**Amounts without the adoption of CPC 06 (R2)/IFRS 16**	**As reported**	**Adjustments**	**Amounts without the adoption of CPC 06 (R2)/IFRS 16**
Net operating revenue		147,492	-	147,492	1,603,262	-	1,603,262
Cost of sales		(103,892)	(26)	(103,918)	(1,090,557)	(2,130)	(1,092,687)
Operating expenses		(18,908)	(2,740)	(21,648)	(251,487)	(80,200)	(331,687)
General and administrative expenses		(41,813)	(1,645)	(43,458)	(135,148)	(5,087)	(140,235)
Depreciation and amortization		(15,613)	3,390	(12,223)	(99,622)	68,368	(31,254)
Other operating income (expenses), net		(472)	-	(472)	17,070	-	17,070
Impairment of assets		(1,098)	-	(1,098)	(3,877)	-	(3,877)
Share of profit (loss) of investees		33,993	10,739	44,732	9,778	-	9,778
Finance income (expense)		(16,489)	1,801	(14,688)	(57,378)	33,691	(23,687)
Income tax and social contribution		958	(267)	691	(7,883)	(3,390)	(11,273)
Loss for the year	(b)	**(15,842)**	**11,252**	**(4,590)**	**(15,842)**	**11,252**	**(4,590)**

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

3. Significant accounting policies—Continued

l) Right of use ("lease")--Continued

iii. *Impacts on the Statements of Cash Flows*

	Parent			Consolidated		
December 31, 2019	**As reported**	**Adjustments**	**Amounts without the adoption of CPC 06 (R2)/IFRS 16**	**As reported**	**Adjustments**	**Amounts without the adoption of CPC 06 (R2)/IFRS 16**
Cash flows from operating activities						
Loss for the year	(15,842)	11,253	(4,589)	(15,842)	11,253	(4,589)
Income tax and social contribution	(958)	267	(691)	7,883	3,390	11,273
Depreciation and amortization	16,371	-	16,371	79,004	-	79,004
Depreciation of right of use	3,874	(3,874)	-	70,403	(70,403)	-
Interest on lease ("Right of use")	1,801	(1,801)	-	33,691	(33,691)	-
Share of profit (loss) of investees	(33,993)	(10,739)	(44,732)	(9,778)	-	(9,778)
Interest paid on lease ("Right of -use")	(779)	779	-	(12,185)	12,185	-
Other	(92,426)	-	(92,426)	17,688	-	17,688
Net cash provided by (used in) operating activities	**(121,952)**	**(4,115)**	**(126,067)**	**170,864**	**(77,266)**	**93,598**
Net cash used in investing activities	**(4,916)**	-	**(4,916)**	**(110,620)**	**-**	**(110,620)**
Cash flows from financing activities						
Other	140,839	-	140,839	77,782	-	77,782
Payment of right-of-use liabilities (leases)	(4,117)	4,117	-	(79,724)	79,724	-
Net cash generated by (used in) financing activities	**136,722**	**4,117**	**140,839**	**(1,942)**	**79,724**	**77,782**
Effect of exchange rate changes on cash and cash equivalents	**-**	**-**	**-**	**5,943**	**(2,458)**	**3,485**
Decrease in cash and cash equivalents	**9,854**	-	**9,854**	**64,245**	**-**	**64,245**
At the beginning of the year	130,228	-	130,228	268,561	-	268,561
At the end of the year	140,080		140,080	332,806	-	332,806

(a) Refers to the recognition of right-of-use assets and lease liabilities of lease contracts defined as leases in accordance with IFRS 16/CPC 06 (R2). Note 15.

(b) The adjustment refers to the impact on profit for the year from the adoption of the new standard that changes the accounting method of lease contracts classified as lease. Previously, the minimum contractual amount of the lease was recognized as an expense and as of January 1, 2019 started to be recognized as assets and liabilities adjusted to present value. Monthly, the asset is depreciated according to the contractual term and the amount is recognized under depreciation expenses. The amount of the liability is adjusted by the interest incurred and the amount is recognized under financial expenses. The variable amount referring to the lease contracts remains recognized as operating expense.

3. Significant accounting policies—Continued

m) 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.

n) 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.

- 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.

- 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.

- 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.

o) 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, 2019 and 2018, 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.

3. Significant accounting policies--Continued

p) 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.

q) 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.

r) 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.

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

s) 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.

t) Segment information

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

3. Significant accounting policies--Continued

u) 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".

v) 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

w) 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.

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.

3. Significant accounting policies--Continued

w) Financial instruments--Continued

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

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.

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.

3. Significant accounting policies--Continued

w) Financial instruments--Continued

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.

Impairment of assets

CPC 48 / IFRS 9 replaces the “incurred loss” model of CPC 38 / IAS 39 by an expected credit loss model. 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.

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.

3. Significant accounting policies--Continued

w) Financial instruments--Continued

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.

x) 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.

y) 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.

3. Significant accounting policies--Continued

z) New or revised pronouncements effective as of January 1, 2019

Uncertainty over Income Tax Treatment – ICPC 22/ITG 22/IFRIC 23

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of ICPC 22/ITG 22/IFRIC 23 – *Income Taxes*). It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

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

The Company determined, based on its tax compliance study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Company.

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 benefit

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) <u>Provision for labor, civil and tax risks</u>

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).

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, the incorporation of the shares issued by MultiQSR Gestão de Restaurantes SA ("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 (October 31, 2019), 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 subfranch 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 MultiQSR to open a certain number of new restaurants.

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

5. Business combination--Continued

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.

In accordance with NBC TG 15 (RA) / IFRS 3 - Business Combination, the fair value of the assets acquired and liabilities assumed for the purpose of determining the allocation of the price paid on the acquisition is shown below:

	Fair value at acquisition date
Assets	
Cash and cash equivalents	22,630
Trade receivables	4,711
Inventories	5,563
Property, plant and equipment	35,856
Intangible assets	289,909
Non-compete agreement	976
Franchisor master contract	275,631
Subfranchising master contract	7,670
Key money	5,257
Software	375
Right-of-use assets	30,232
Other assets	5,722
Total assets	**394,623**
Liabilities	
Trade payables	84,368
Salaries and charges	13,139
Borrowings	87,854
Contingencies	69,922
Deferred revenue	20,774
Lease liabilities (“right of use”)	31,519
Other liabilities	29,867
Total liabilities	**337,443**
Total net assets	**57,180**
Fair value of consideration paid	**216,883**
Goodwill	**159,703**

The fair value adjustment is substantially composed of net intangible assets identified and allocated as a master franchisor agreement, sub-franchise agreement, non-compete agreement and key money.

The estimated useful life for amortization of master franchisor and sub-franchise agreements is up to 20 years. Key money will be amortized over the contractual period, i.e. 5 to 10 years.

Goodwill is R$ 159,703.

The costs related to this combination were R$ 16,030 and are recognized in general and administrative expenses (Note 27).

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

5. Business combination--Continued

Net revenue and loss from operations of the acquired business, added to the Group's results for the year ended December 31, 2019, are R$ 35,511 and R$ 4,361, respectively. Had this acquisition had taken place on January 1, 2019, the Group's net revenue and loss for the year ended December 31, 2019 would have been increased by R$ 138,155 and R$ 171,293, respectively.

Fair value measurement

Acquired assets	Valuation technique
Inventories	Fair value of food inventories calculated based on the margin (mark-up) at 10/31/2019
Property, plant and equipment	Fair value of PP&E calculated based on a direct comparative method of market data and cost method
Franchisor master contract	Fair value calculated based on the “relief from royalty” profit method. We calculated the future value of the royalties needed to maintain the contract and discounted the post-tax cash flow of royalties at present value
Base of franchisees and owned restaurants	Profit method: Discounted cash flow (Within/Without). Cash flow projections used a scenario that considered the existence of a base of owned restaurants and franchisees and, also, the non-existence of a base of owned restaurants and franchisees, affecting volume, sales price and margins
Non-compete clause	Profit method: Discounted cash flow (Within/ Without). 2 projections were used to calculate the discounted cash flow. Projection A: considering the non-compete clause. Projection B: considering the inexistence of a non-compete clause, affecting volume, sales price and margins

5. Business combination--Continued

Fair value measurement --Continued

Acquired assets	Valuation technique
Sales Point Key Money	Market comparison method. Compare the values of key money contracted and in effect with the prices charged in the market at 10/31/2019
Contingencies	Risks identified in due diligence
Fine for transfer rental agreements in shopping malls (considered in other liabilities)	Risks identified in due diligence

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.

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

6. Segment information--Continued

	Shopping malls	Airports	Highways	United States of America	Others	Total
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 - 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)**
December 31, 2018:						
Net revenue	283,179	376,483	483,442	438,977	-	1,582,081
Operating profit (loss)	(6,470)	60,420	30,819	44,774	(18,428)	111,115
Depreciation and amortization	(15,229)	(27,198)	(15,838)	(21,590)	(66)	(79,921)
Impairment of property, plant and equipment and intangible assets	(4,823)	-	(1,206)	-	-	(6,029)
Finance income (expense)	1,623	(12,336)	(534)	(6,655)	460	(17,442)
Income tax benefit (expense)	(5,227)	(9,845)	(2,335)	17,578	-	171

(*) Excluding the effects of depreciation and amortization.

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

	Consolidated	
	12/31/2019	12/31/2018
Reconciliation of profit for the year:		
Operating profit from reportable segments, excluding the effects of depreciation and amortization	**222,572**	129,543
Operating loss from other segments, excluding the effects of depreciation and amortization	**(17,311)**	(18,428)
	205,261	111,115
Depreciation and amortization	**(82,344)**	(79,921)
Amortization - right of use	**(69,621)**	-
Impairment of assets	**(3,877)**	(6,029)
Finance income (expense)	**(57,378)**	(17,442)
Income tax and social contribution	**(7,883)**	171
Profit (loss) for the year	**(15,842)**	7,894

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

6. Segment information--Continued

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

	Consolidated	
	12/31/2019	12/31/2018
Shopping malls	**898,845**	368,172
Airports	**728,928**	464,777
Highways	**559,039**	427,338
United States of America	**496,088**	371,394
Subtotal	**2,682,900**	1,631,681
Assets not allocated to the segments	**2,748**	6,801
	2,685,648	1,638,482

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	
	12/31/2019	12/31/2018
Net revenue:		
Brazil	**961,633**	952,042
The Caribbean	**191,243**	191,062
United States of America	**450,386**	438,977
	1,603,262	1,582,081

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, currency swap derivatives, 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 of financial instruments

Management considers that the carrying amounts of financial assets and liabilities recorded at amortized cost in 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 Group conducted swap derivative transactions, which are used only to mitigate the exposure to foreign currency fluctuations of certain borrowings, so that the balance of the capital structure is maintained. The main financial instruments are distributed as follows:

	Carrying amount and fair value			
	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Financial assets				
Trade receivables and receivables at amortized cost:				
Cash and cash equivalents	**140,081**	130,228	**332,806**	268,561
Financial investments (noncurrent)	**-**	-	**-**	20
Currency swap derivatives (item f)	**-**	-	**149**	93
Trade receivables	**16,279**	17,215	**64,281**	82,814
Receivables from related parties	**128,285**	20,215	**2,535**	-
	284,645	167,658	**399,771**	351,488
Financial liabilities				
Financial liabilities recognized at amortized cost:				
Trade payables	**14,568**	14,847	**188,097**	80,980
Borrowings	**395,274**	149,397	**561,672**	297,708
Payables to related parties	**51,059**	59,542	**3,080**	-
Installment payment of business acquisitions	**-**	-	**41,558**	36,710
	460,901	223,786	**794,407**	415,398

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

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, 2018. 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 to5 years	More than 5 years	Total
December 31, 2019:							
Trade payables	-	(14,167)	(366)	(14)	(21)	-	(14,568)
Trade receivables	-	15,141	403	(41)	776	-	16,279
Borrowings and debentures	7.60%	-	-	(12,878)	(276,965)	(216,712)	(506,555)
Right of use ("lease")	11.99%	(461)	(1,384)	(3,690)	(12,529)	(1,015)	(19,079)

	Weighted average effective interest rate - %	Consolidated					
		Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
December 31, 2019:							
Trade payables	-	(138,923)	(39,389)	(7,580)	(2,205)		(188,097)
Trade receivables	-	52,245	6,478	2,351	3,207	-	64,281
Derivative financial instrument of exchange swap (item f)	9.25%	-	-	159	-	-	159
Borrowings and debentures	7.24%	(1,360)	(6,789)	(42,124)	(423,274)	(216,712)	(690,259)
Right of use ("lease")	9.06%	(8,592)	(25,775)	(68,732)	(284,596)	(62,476)	(450,171)
Installment payment of business acquisitions	5.75%	-	(1,665)	(6,904)	(24,632)	-	(33,201)

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.

7. Financial instruments--Continued

d) Credit risk--Continued

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.

e) Currency risk

As referred to in Note 16, the Group contracted a US dollar-denominated loan plus a spread from 4.05% to 4.81% per year, with a swap instrument classified in Level 2, contracted on the same date and with the same financial institution, exchanging 100% of this debt for the interbank deposit rate (CDI) plus spread from 2.35% to 3.0% per year.

As of December 31, 2019 and 2018, due to this financial instrument, the following results were obtained:

	12/31/2019	12/31/2018
Notional amount in thousands of US dollars	**4,596**	4,528
Average contracting rate - real - R$	**3.81**	3.87
Notional amount in reais - R$	**17,510**	17,510
Long position (purchased)		
US dollar - US$ thousand plus interest from 4.05% to 4.81% per year	**149**	93
Short position (sold)		
CDI plus interest from 1.75% to 3.0% per year	**(16)**	(24)
Derivative financial instruments	**133**	69

f) 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.

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

7. Financial instruments--Continued

f) Interest rate risk--Continued

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**
Swap (p.a.) - CDI plus interest of 3.1% per year	8.94%	10.43%	11.91%
Estimated charges	235	275	314
Debentures - CDI plus interest from 1.15% to 1.60% per year	7.29%	10.26%	10.26%
Estimated charges	29,702	35,755	41,808
30-day LIBOR plus interest of 1.95%	3.70%	4.14%	4.58%
Estimated charges	2,332	2,608	2,884
180-day LIBOR plus interest from 3.40% to 4.05% per year	5.30%	5.78%	6.25%
Estimated charges	2,600	2,833	3,066
IBR (p.a.) plus interest of 3.70% per year	7.95%	9.01%	10.07%
Estimated charges	894	1,014	1,134

g) Debt-to-equity ratio

	Parent		**Consolidated**	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Debt (i)	**395,274**	149,397	**561,672**	297,707
Derivative financial instrument of exchange swap	**-**	-	**(149)**	(93)
Installment payment of business acquisitions	**-**	-	**41,558**	36,710
Cash and cash equivalents and financial investments	**(140,081)**	(130,228)	**(332,806)**	(268,561)
Net debt / (net assets)	**255,193**	19,169	**270,275**	65,763
Equity (ii)	**1,145,106**	1,015,218	**1,145,106**	1,015,218
Debt-to-equity ratio	**0.223**	0.019	**0.236**	0.065

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

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

8. Cash and cash equivalents

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Cash	**246**	260	**5,705**	8,287
Banks	**1**	5	**108,289**	79,382
Financial investments	**139,834**	129,963	**218,812**	180,892
	140,081	130,228	**332,806**	268,561

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

				Parent	
Transactions	**Average yield**	**Liquidity**	**Country**	**12/31/2019**	12/31/2018
Bank deposit certificate	98,5% to 101.5% of CDI	Immediate	Brazil	**136,392**	127,290
Overnight deposits	30% to 60% of CDI	Immediate	Brazil	**3,036**	2,673
Others	80% to 100% of CDI	Immediate	Brazil	**406**	-
				139,834	129,963

				Consolidated	
Transactions	**Average yield**	**Liquidity**	**Country**	**12/31/2019**	12/31/2018
Bank deposit certificate	60.0% to 101.5% of CDI	Immediate	Brazil	180,952	152,490
Lease bill	101.5% of CDI	Immediate	Brazil	13,675	14,759
Overnight deposits	30% to 60% of CDI	Immediate	Brazil	6,536	5,886
Overnight deposits	7.41% p.a.	Immediate	Colombia	11,336	4,074
Others	70% to 90% of CDI	Immediate	Brazil	6,313	3,683
				218,812	180,892

9. Trade receivables

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Means of payment (credit and debit cards, and meal tickets)	**686**	1,042	**13,066**	38,603
Trade receivables	**17,882**	15,830	**38,152**	34,417
Rebates and commercial agreements	**1,311**	4,030	**12,871**	13,562
Trade receivables from franchisees (*)	**-**	-	**19,246**	-
Others	**150**	157	**374**	363
	20,029	21,059	**84,709**	86,945
Allowance for expected credit losses	**(3,750)**	(3,844)	**(19,428)**	(4,131)
	16,279	17,215	**64,281**	82,814
Current	**15,503**	14,711	**62,905**	78,907
Noncurrent	**776**	2,504	**1,376**	3,907
	16,279	17,215	64,281	82,814

(*) As from the acquisition of Multi QSR's operations, they include amounts receivable from franchisees of the KFC and Pizza Hut brands, mainly related to franchise fees calculated based on percentages on the sales of franchised stores.

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

9. Trade receivables--Continued

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	
	12/31/2019	12/31/2018
In Brazilian reais - R$	**59,270**	64,076
In US dollars - US$ (*)	**11,846**	9,799
In Mexican pesos - MXN$ (*)	**1,006**	766
In Colombian pesos - COP$ (*)	**11,587**	12,304
	83,709	86,945

(*) The foreign currency-denominated balances refer to trade receivables from the corresponding countries of origin; therefore, there are no foreign exchange differences between the recognized revenue and the related receivables disclosed in the statement of profit or loss.

The balance of 'Trade receivables' refers mainly to receivables from airlines.
Receivables are comprised of current and past-due receivables, as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Current	**14,593**	16,777	**55,230**	79,539
Past due:				
Up to 30 days	**1,583**	2,201	**6,861**	5,091
31 to 60 days	**103**	1,352	**5,400**	1,478
61 to 90 days		632	**3,479**	691
Over 90 days	**3,750**	97	**12,739**	146
Allowance for expected credit losses (*)	**(3,750)**	(3,844)	**(19,428)**	(4,131)
	16,279	17,215	**64,281**	82,814

(*) On December 10, 2018, OceanAir Linhas Aéreas ("Avianca Brasil") filed for in-court reorganization, which was accepted by the court on December 13, 2018. At that date, the Company had receivables (not yet due at the time) from Avianca Brasil in the amount of R$ 3,748 in the parent and R$ 4,098 in the consolidated and decided to recognize an allowance for expected credit losses.

As described in Note 16, the Group pledged receivables from credit and debit card companies as collateral for borrowings. As of December 31, 2019, the balance receivable related to this collateral is R$ 1,829 (R$ 10,155 as of December 31, 2018) in consolidated. The terms and conditions of this transaction include mainly pledging to banks as collateral current and future receivables originating from credit and debit card sales up to the debt limit. This collateral could be enforced by banks in case of default of a borrowing.

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

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

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
At the beginning of the year	**(3,844)**	(138)	**(4,131)**	(859)
Additions	**(6)**	(3,958)	**(173)**	(4,384)
Additions due to business combination	**-**	-	**(15,068)**	
Reversals and write-offs	**100**	252	**55**	1,038
Exchange rate changes	**-**	-	**(111)**	74
At the end of the year	**(3,750)**	(3,844)	**(19,428)**	(4,131)

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

9. Trade receivables--Continued

Rebates and commercial agreements

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	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Food and beverages	**3,138**	1,910	**29,512**	20,023
Fuel and vehicle accessories	**-**	-	**5,834**	5,556
Nonfood products and souvenirs for resale	**-**	-	**9,009**	8,286
Supplies and fixtures	**1,195**	603	**9,948**	5,587
Provision for inventory losses	**(303)**	(102)	**(1,101)**	(1,710)
	4,030	2,411	**53,202**	37,742

As of December 31, 2019, the total cost of inventories sold disclosed in line item 'Cost of sales and services' was R$ 38,506 (R$ 42,529 as of December 31, 2018) in parent and R$ 564,973 (R$ 549,490 as of December 31, 2018) in consolidated (see Note 30).

The activity in the losses on inventories is as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Opening balance	**(102)**	(95)	**(1,710)**	(1,598)
Additions	**82**	(85)	**(16,302)**	(2,841)
Reversals	**(283)**	78	**16,820**	2,845
Exchange rate changes	**-**	-	**91**	(116)
Closing balance	**(303)**	(102)	**(1,101)**	(1,710)

11. Taxes recoverable

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Prepaid income tax and social contribution	**-**	-	**11,520**	10,835
Withholding income tax (IRRF) on financial investments	**7,055**	5,876	**13,988**	9,776
Taxes on revenue (PIS and COFINS)	**12,727**	12,817	**63,091**	40,592
Others	**317**	115	**1,661**	455
	20,099	18,808	**90,260**	61,658

(*) During the fourth quarter of 2019 the Company and certain subsidiaries obtained a final and unappealable decision in a joint lawsuit in which it claimed for the right to exclude ICMS from the PIS and COFINS tax bases. The lawsuit was filed in 2015, guaranteeing the right to recognition of the tax credit as from the statutory period in 2010. The amount recorded for this lawsuit was R$ 5,391 in parent, of which R$ 3,397 in principal and R$ 1,993 in monetary restatement and R$ 18 in consolidated,384, of which R$ 11,567 in principal and R$ 6,817 in monetary restatement.
The offsetting of these credits against other federal taxes will occur as soon as the Company and certain subsidiaries obtain approval in the administrative proceeding with the Federal Revenue Service of Brazil.

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

12. Investments in subsidiaries

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:

a) 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. (Brasil)	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**

* Net balance of the interest on capital paid to the parent company by (i) Pimenta Verde Alimentos Ltda. in the total amount of R$ 6,572 (R$ 5,586 if net of the withholding income tax); (ii) Niad Restaurantes Ltda. in the total amount of R$ 1,125 (R$ 956, if net of withholding income tax); and (iii) Centro de Serviços Frango Assado Norte Ltda. in the total amount of R$ 2,660 (R$ 2,261, if net of withholding income tax).

b) December 31, 2018

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	371,953	(87,679)	(226,052)	32,464	438,977	32,464
IMC Puerto Rico Ltd. (the Caribbean)	100.00	247,460	(76,812)	(132,035)	(8,359)	191,062	(8,359)
Tob's Lanches Sul Ltda. (Brazil)	99.99	5,009	(424)	(4,585)	(349)	-	(349)
Pimenta Verde Alimentos Ltda. (Brazil)	99.99	633,523	(138,989)	(494,535)	(22,941)	501,135	(22,941)
Niad Restaurantes Ltda. (Brazil)	63.95	96,370	(36,911)	(59,459)	(3,370)	50,334	(2,154)
Centro de Serviços Frango Assado Norte Ltda. (Brazil)	89.08	66,825	(19,839)	(46,986)	3,112	187,152	2,803
Carvalho Pinto Automotivos e Conveniências Ltda. (Brazil)	99.99	14,278	(4,526)	(9,753)	64	22,262	64
Centro de Serviços Frango Assado Sudoeste Ltda. (Brazil)	-	-	-	-	(1,398)	9,219	(1,398)
Centro de Serviços Frango Assado Suleste Ltda. (Brazil)	-	-	-	-	(78)	920	(78)
Total		**1,435,418**	**(365,180)**	**(973,405)**	**(855)**	**1,401,061**	**52**

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

12. Investments in subsidiaries--Continued

c) Activity of the investments in subsidiaries

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

	Tob's	Pimenta Verde e Niad	Postos de Combustíveis	IMC EUA	IMC Caribe	Multi QSR	Total
Balance as of December 31, 2017	**4,983**	**553,407**	**50,507**	**165,929**	**150,346**	**-**	**925,172**
Share of profit (loss) of investees	(349)	(25,095)	1,393	32,463	(8,360)	-	52
Investment reduction					(18,062)	-	(18,062)
Translation adjustments	-	-	-	27,660	8,111	-	35,771
Translation adjustments							
Balance 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**
Interest on capital received	**-**	**(7,697)**	**(2,660)**	**-**	**-**	**-**	**(10,357)**
Business acquisition (i)	**-**	**-**	**-**	**-**	**-**	**216,883**	**216,883**
Translation adjustments	**-**	**-**	**-**	**9,810**	**7,057**	**-**	**16,867**
Balance as of December 31, 2019	**4,666**	**535,917**	**56,408**	**249,110**	**141,694**	**212,524**	**1,200,319**

(i) Includes R$ 218,709 R$ related to fair value adjustments of assets acquired and liabilities assumed and R$ 159,703 related to goodwill identified after the purchase price allocation, net of equity of the acquired company in the amount of R$ 165,895.

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

	Margaritaville (Orlando)
Balance as of December 31, 2017	25,116
Share of profit (loss) of investees (*)	6,866
Dividends received	(11,706)
Translation adjustments of foreign joint venture	3,978
Balance as of December 31, 2018	24,254
Share of profit (loss) of investees (*)	**9,778**
Dividends received	**(11,900)**
Translation adjustments of foreign joint venture	**700**
Balance as of December 31, 2019	**22,832**

(*) Share of profit (loss) of investees net of the amortization of investment in joint venture incurred in the year ended December 31, 2019 amounting to R$ 2,462 (R$ 2,281 at December 31, 2018). The investment is amortized because the joint venture has finite duration.

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

13. Property, plant and equipment

The activity in property, plant and equipment for the years ended December 31, 2019 and 2018 was as follows:

	Parent			
	Balance as of 12/31/2018	**Additions net of reversals (*)**	**Transfers, write-offs and others**	**Balance as of 12/31/2019**
Cost				
Machinery and equipment	23,961	-	1,443	**25,404**
Furniture and fixtures	7,552	-	356	**7,908**
Leasehold improvements	26,800	-	3,329	**30,129**
Computers, vehicles and other items	26,334	-	(471)	**25,863**
Works and construction in progress	807	5,789	(6,116)	**480**
Total cost	85,454	5,789	(1,459)	**89,784**
Depreciation				
Machinery and equipment	(17,481)	(1,643)	57	**(19,067)**
Furniture and fixtures	(6,140)	(613)	42	**(6,711)**
Leasehold improvements	(16,262)	(1,744)	19	**(17,987)**
Computers, vehicles and other items	(21,903)	(1,826)	1,018	**(22,711)**
Total depreciation	(61,786)	(5,826)	1,136	**(66,476)**
Provision for impairment of assets				
Leasehold improvements	-	-	-	
Computers, vehicles and other items	-	(408)	-	**(408)**
Total provision	-	(408)	-	**(408)**
Total, net	23,668	(445)	(323)	**22,900**

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

13. Property, plant and equipment--Continued

	Parent				
	Balance as of 12/31/2017	Additions net of reversals (*)	Uses	Transfers, write-offs and others	Balance as of 12/31/2018
Cost					
Machinery and equipment	23,324	-	-	637	**23,961**
Furniture and fixtures	7,492	-	-	60	**7,552**
Leasehold improvements	27,611	-	-	(811)	**26,800**
Computers, vehicles and other items	24,663	-	-	1,671	**26,334**
Works and construction in progress	515	4,108	-	(3,816)	**807**
Total cost	83,605	4,108	-	(2,259)	**85,454**
Depreciation					
Machinery and equipment	(15,635)	(1,970)	-	124	**(17,481)**
Furniture and fixtures	(5,321)	(819)	-	-	**(6,140)**
Leasehold improvements	(15,411)	(1,612)	-	761	**(16,262)**
Computers, vehicles and other items	(19,740)	(2,164)	-	1	**(21,903)**
Total depreciation	(56,107)	(6,565)	-	886	**(61,786)**
Provision for impairment of assets					
Leasehold improvements	(53)	-	53	-	-
Computers, vehicles and other items	(1)	-	1	-	-
Total provision	(54)	-	54	-	-
Total, net	27,444	(2,457)	54	(1,373)	**23,668**

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

13. Property, plant and equipment--Continued

	Consolidated							
	Balances 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**

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

13. Property, plant and equipment--Continued

	Consolidated					
	Balance as of 12/31/2017	**Effects of exchange differences**	**Additions, net of reversals (*)**	**Uses**	**Transfers, write-offs, and others**	**Balance as of 12/31/2018**
Cost						
Land and buildings	3,801	293	430	-	-	**4,524**
Machinery and equipment	171,994	4,585	3,721	-	7,968	**188,268**
Furniture and fixtures	72,951	5,278	632	-	2,700	**81,561**
Leasehold improvements	291,034	22,230	14,712	-	11,376	**339,352**
Computers, vehicles and other items	67,982	2,576	1,209	-	3,027	**74,794**
Works and construction in progress	24,904	1,862	47,432	-	(40,656)	**33,542**
Total cost	632,666	36,824	68,136	-	(15,585)	**722,041**
Depreciation						
Buildings	(2,250)	(163)	(317)	-	-	**(2,730)**
Machinery and equipment	(119,172)	(2,888)	(15,356)	-	2,513	**(134,903)**
Furniture and fixtures	(51,202)	(3,557)	(10,650)	-	322	**(65,087)**
Leasehold improvements	(158,802)	(12,244)	(26,435)	-	4,882	**(192,599)**
Computers, vehicles and other items	(53,246)	(1,911)	(7,101)	-	180	**(62,078)**
Total depreciation	(384,672)	(20,763)	(59,859)	-	7,897	**(457,397)**
Provision for impairment of assets						
Machinery and equipment	(418)	-	(1,761)	570	(152)	**(1,761)**
Furniture and fixtures	-	-	(95)	-	-	**(95)**
Leasehold improvements	(3,363)	-	(2,346)	3,597	(234)	**(2,346)**
Computers, vehicles and other items	(72)	-	(1,042)	-	71	**(1,043)**
Total provision	(3,853)	-	(5,244)	4,167	(315)	**(5,245)**
Total, net	244,141	16,061	3,033	4,167	(8,003)	**259,399**

	Parent		Consolidated	
Net balances	**12/31/2019**	12/31/2018	**12/31/2019**	12/31/2018
Land and buildings	**-**	-	**2,971**	1,794
Machinery and equipment	**6,337**	6,480	**93,743**	51,604
Furniture and fixtures	**1,197**	1,412	**19,955**	16,379
Leasehold improvements	**12,142**	10,537	**196,313**	143,597
Computers, vehicles and other items	**2,744**	4,432	**13,718**	11,673
Works and construction in progress	**480**	807	**45,977**	34,352
	22,900	23,668	**372,677**	259,399

(*) The additions to property, plant and equipment in the statement of cash flows are net of the amounts to be paid in the next months. Thus, in the statements of cash flows, from the additions to property, plant and equipment in the year ended December 31, 2019, the amount of R$ 31 was deducted (R$ 68 deducted at December 31, 2018) in parent, and the amount of R$ 4,852 was deducted (R$ 2,610 deducted at December 31, 2018) in consolidated.

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

13. Property, plant and equipment--Continued

Depreciation charges are allocated as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Allocated to cost of sales and services	**4,764**	5,405	50,172	52,372
Allocated to general and administrative expenses	**1,058**	1,160	10,462	7,487
Total depreciation expenses	**5,822**	6,565	60,634	59,859
PIS and COFINS credits on depreciation (*)	**(616)**	(612)	**(2,421)**	(2,461)
Total depreciation expenses, net of tax credits	**5,206**	5,953	58,213	57,398

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

Assets pledged as collateral

The obligations assumed under finance lease agreements are collateralized by the ownership of the leased assets by the lessor, whose carrying amount as of December 31, 2019 is R$ 1,836 (R$ 2,001 as of December 31, 2018).

14. Intangible assets

The activity in intangible assets in the years ended December 31, 2019 and 2018 was as follows:

	Parent			
	Balance as of 12/31/2018	**Additions**	**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)**
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

	Parent			
	Balance as of 12/31/2017	Additions, net of reversals (*)	Transfers, write-offs, and others	Balance as of 12/31/2018
Cost:				
Goodwill	91,790	-	-	**91,790**
Software	18,010	-	1,945	**19,955**
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	273	2,367	(1,698)	**942**
Total cost	240,583	2,367	247	**243,197**
Amortization:				
Software	(14,841)	(985)	-	**(15,826)**
Commercial rights	(12,867)	(3,195)	-	**(16,062)**
Licensing rights	(54,049)	(4,769)	-	**(58,818)**
Leasehold rights	(21,250)	(1,977)	-	**(23,227)**
Total amortization	(103,007)	(10,926)	-	**(113,933)**
Provision for impairment of assets				
Rights over trademarks	(1,848)	-	-	(1,848)
Total provision	(1,848)	-	-	(1,848)
Total, net	135,728	(8,559)	247	**127,416**

	Consolidated							
	Balance as of 12/31/2018	Uses	Additions (*)	Additions. in business combinations	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**
Rights over trademark and franchises	-	-	-	1,917	5,753	-	-	**7,670**
Non-compete agreements	3,193	-	-	-	976	(383)	94	**3,880**
Intangibles in progress and other assets	1,656	-	8,115	-	-	(1,884)	22	**7,909**
Total cost	1,049,817	-	11,482	41,063	422,008	(5,176)	10,078	**1,529,272**
Amortization								
Software	(27,320)	-	(2,130)	(175)	-	199	(52)	**(29,478)**
Commercial rights	(51,082)	-	(8,045)	(9,680)	-	1,481	(86)	**(67,412)**
Licensing rights	(84,557)	-	(7,256)	(3,603)	-	786	(484)	**(95,114)**
Leasehold rights	(23,227)	-	(1,977)	-	-	-	-	**(25,204)**
Non-compete agreements	(2,034)	-	(1,131)	-	-	-	(67)	**(3,232)**
Intangibles in progress and other assets	(527)	-	(70)	-	-	-	(23)	**(620)**
Total amortization	(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	853,618	487	(9,817)	27,604	422,008	(2,927)	9,366	**1,300,340**

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

14. Intangible assets— Continued

	Balance as of 12/31/2017	Additions. net of reversals (*)	Uses	Transfers, write-offs, and others (**)	Effects of exchange differences	Balance as of 12/31/2018
Cost						
Goodwill	667,590	-	-	-	29,280	**696,870**
Software	30,930	673	-	3,189	81	**34,873**
Rights over trademarks	62,895	-	-	1,978	1,449	**66,322**
Commercial rights	106,330	-	-	(3,078)	567	**103,819**
Licensing rights	111,561	1,122	-	(53)	2,382	**115,012**
Leasehold rights	28,223	-	-	(613)	462	**28,072**
Non-compete agreements	2,968	-	-	-	225	**3,193**
Intangibles in progress and other assets	1,619	2,371	-	(2,399)	65	**1,656**
Total cost	1,012,116	4,166	-	(976)	34,511	**1,049,817**
Amortization						
Software	(25,493)	(1,817)	-	67	(77)	**(27,320)**
Commercial rights	(43,784)	(8,639)	-	1,663	(322)	**(51,082)**
Licensing rights	(76,137)	(7,398)	-	43	(1,065)	**(84,557)**
Leasehold rights	(21,250)	(1,977)	-	-	-	**(23,227)**
Non-compete agreements	(1,592)	(332)	-	-	(110)	**(2,034)**
Intangibles in progress and other assets	(420)	(78)	-	-	(29)	**(527)**
Total amortization	(168,676)	(20,241)	-	1,773	(1,603)	**(188,747)**
Provision for impairment of assets						
Software	(8)	(503)	8	-	-	**(503)**
Rights over trademarks	(4,684)	-	-	(1,978)	-	**(6,662)**
Commercial rights	(646)	(28)	323	317	-	**(34)**
Licensing rights	-	(253)	-	-	-	**(253)**
Total provision	(5,338)	(784)	331	(1,661)	-	**(7,452)**
Total cost	838,102	(16,859)	331	(864)	32,908	**853,618**

(*) The additions to intangible assets presented in the statements of cash flows include the installments paid in previous acquisitions. Thus, in the statements of cash flows, from the additions of intangible assets in the twelve-month period ended December 31, 2018 the amount of R$ 3,972 was added in Consolidated

	Parent		Consolidated	
Net balances	**12/31/2019**	12/31/2018	**12/31/2019**	12/31/2018
Goodwill (a)	**91,790**	91,790	**864,833**	696,870
Software	**4,183**	4,129	**7,515**	7,050
Rights over trademarks (b)	**1,563**	2,252	**59,568**	59,660
Commercial rights (c)	**11,492**	14,686	**51,480**	52,705
Licensing rights (d)	**6,635**	11,312	**298,590**	30,201
Right over trademarks and franchises	**-**	-	**7,670**	
Leasehold rights (e)	**329**	2,305	**2,332**	4,845
Non-compete agreements	**-**	-	**1,064**	1,159
Intangibles in progress and other assets	**7,173**	942	**7,289**	1,128
	123,165	127,416	**1,300,340**	853,618

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	
	12/31/2019	12/31/2018
Brazil:		
Shopping malls	**347,607**	187,905
Airports	**91,790**	91,790
Highways	**206,187**	206,187
	645,584	485,882
The Caribbean:		
Shopping malls	**1,068**	1,038
Airports	**20,476**	19,893
	21,544	20,931
United States of America	**197,705**	190,057
	864,833	696,870

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 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, 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.

Impairment testing for assets with indefinite useful lives

Assets with indefinite useful lives (goodwill and trademarks) are tested for impairment annually or whenever there are indications that some of the cash-generating units might be impaired.

The recoverable amount of the cash-generating units was determined based on the value in use, using the cash flow based on financial budgets approved by the Board of Directors and a discount rate after the income tax and social contribution benefit. The cash flows after the five-year period were extrapolated using a fixed annual growth rate. The main assumptions adopted were:

Projected sales	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. Management believes that the annual market share growth for the next five years is feasible.

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

14. Intangible assets– Continued

Impairment testing for assets with indefinite useful lives--Continued

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 efficiency improvements.

- Brazilian cash-generating units

  The discount rate applied to projected cash flows was 7.0% per year (9.9% per year in 2018), and the cash flows beyond the five-year period were extrapolated using a fixed annual growth rate of 6.0% per year (6.3% per year in 2018).

- Caribbean cash-generating units

  The discount rate applied to projected cash flows was 8.8% per year (10.3% per year in 2018), and the cash flows beyond the five-year period were extrapolated using a fixed annual growth rate of 6.5% per year (3.3% per year in 2018).

- US cash-generating units

  The discount rate applied to projected cash flows was 13.0% per year (14.0% per year in 2018), and the cash flows beyond the five-year period were extrapolated using a fixed annual growth rate of 2.5% (2.5% per year in 2018).

Based on the analyses performed as of December 31, 2019, Management concluded that there are no indications of impairment of any of its cash-generating units.

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, 2019 is as follows:

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

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

a) Right-of-use asset

	Parent	Consolidated
Balance as of 12/31/2018	**-**	-
(+) Initial adoption – IFRS 16 / CPC 06 (R2)	17,106	405,398
Balance as of 1/1/2019	**17,106**	**405,398**
(-) Accumulated depreciation	(3,874)	(70,403)
(+) Additions due to business acquisitions	-	6,389
(+) Additions	3,423	60,222
(-) Write-offs	(397)	(31,974)
(+) Exchange rate changes	-	15,410
Balance as of 12/31/2019	**16,258**	**385,042**

b) Change in the right-of-use liability ("lease")

	Parent	Consolidated
Balance as of 12/31/2018	**-**	-
(+) Initial adoption – IFRS 16 / CPC 06 (R2)	17,106	405,398
Balance as of 1/1/2019	**17,106**	**405,398**
(+) Interest incurred, net of write-offs	1,801	33,691
(-) Principal paid	(4,117)	(79,724)
(-) Interest paid	(779)	(12,185)
(+) Additions due to business acquisitions	-	6,389
(+) Additions	3,423	60,222
(-) Write-offs of principal	(397)	(31,974)
(+) Exchange rate changes	-	19,405
Balance as of 12/31/2019	**17,036**	**401,222**
Current	4,942	92,060
Noncurrent	12,094	309,162

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

Year	Parent	Consolidated
2012	2,444	89,129
2022	3,478	78,481
2023	2,804	82,453
2024	2,333	56,666
Over 5 years	1,035	2,433
	12,094	**309,162**

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

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

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

In order to comply with the CVM instruction and provide the market with a complete overview of the several effects arising from the adoption of the calculation method by projecting the embedded inflation in the nominal incremental rate and discounting to present value at the nominal incremental rate, the following data should be taken into account:

	Inflation to be projected per year	Average lease term
Operations in Brazil	7.31%	5 years
International operations		
United States of America	2.37%	6 years
Panama	2.37%	5 years
Colombia	3.84%	3 years

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

Payments made by the Company related to short-term leases, leases of low-value assets and variables amounted to R$ 71,011 in the year ended December 31, 2019.

16. Trade payables

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Product suppliers	**9,143**	7,345	**76,906**	53,953
Service providers	**4,980**	7,088	**108,263**	25,487
Suppliers - others	**445**	414	**2,928**	1,540
Total	**14,568**	14,847	**188,097**	80,980

17. Borrowings

	Financial charges	Maturity	Parent		Consolidated	
			12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
CCB international - Swap - Brazil (a)	CDI + spread of 3.1% p.a.	Quarterly up to 9/14/20	**-**	-	**2,634**	6,221
Bank Credit Note - CCB – United States of America (b)	LIBOR + spread of 14.95% p.a.	Monthly up to 11/21/23	**-**	-	**62,958**	62,294
Bank Credit Note – CCB – The Caribbean (c)	180-day LIBOR (or IBR 6-months) + spread from 3.4% to 3.7% p.a.	Semi-annual up to 10/12/2022	**-**	-	**60,280**	77,558
Commercial promissory notes (d)	CDI +"spread" of 2.50% p.a.	Single installment on 6/5/2019	**-**	149,397	**-**	149,397
Debentures 1st Series (d)	CDI +"spread" of 1.15% p.a.	Annual until 3/15/2024	**127,273**	-	**127,273**	-
Debentures 2nd Series (d)	CDI +"spread" of 1.60% p.a.	Annual until 3/15/2026	**127,426**	-	**127,426**	-
Single series issuance (e)	CDI +"spread" of 1.30% p.a.	Annual until 9/10/2025	**152,949**	-	**152,949**	-
Costs to be recognized			**(13,623)**	-	**(13,623)**	-
Others			**1,249**	-	**41,775**	2,238
			395,274	149,397	**561,672**	297,708

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

17. **Borrowings**--Continued

Classified as:

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Current:				
Foreign currency-denominated borrowings	**-**	-	**35,530**	40,198
Local currency-denominated borrowings (R$)	**7,485**	149,397	**47,672**	149,397
	7,485	149,397	**83,202**	189,595
Noncurrent:				
Foreign currency-denominated borrowings	**-**	-	**87,708**	105,875
Local currency-denominated borrowings (R$)	**387,789**	-	**390,762**	2,238
	387,789	-	**478,470**	108,113

Guarantees and commitments

a) US dollar denominated borrowing subject to 4.05% interest p.a. plus exchange fluctuation. This loan is backed by the co-obligated guarantors represented by certain subsidiaries of the Company, a swap collateral assignment and liens on debit and credit rights arising from sales made by the Company's subsidiaries using debit and credit cards. The agreement contains certain covenants that require the compliance with the net debt-to-EBITDA ratio and the debt service coverage ratio, annually calculated based on the financial statements. As of December 31, 2019, the Group was compliant with these covenants.

The Group conducts swap transactions to exchange US dollar-denominated payables at fixed rates for the Brazilian real (R$) pegged to 100% of the CDI plus spread of 3.1% per year. The Group conducts swap transactions with the same counterparty. These transactions are classified as derivatives, as described in Note 7.e.

b) Borrowing raised in US dollars - US$ with annual floating interest rate determined by the bank, of 1.95% above the daily Libor of the month. 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, 2019, the Group was compliant with these covenants.

c) 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. As of December 31, 2019, the Group was compliant with these covenants.

d) Commercial promissory notes, paid in a single installment on June 5, 2019 and collateralized by certain Company's subsidiaries.

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

17. Borrowings--Continued

Guarantees and commitments--Continued

e) 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 1.15% per year, with maturity in 2024, with interest paid semiannually until the due date for the first series, and 1.60% 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. At December 31, 2019, the Group is compliant with these covenants.

f) 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 1.30% 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. At December 31, 2019, the Group was compliant with these covenants.

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

	Consolidated
2021	**35,933**
2022	**67,159**
2023	**113,482**
2024	**91,666**
2025 and thereafter	**175,000**
	483,240

18. Payroll and related taxes

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Payroll and related taxes	**5,144**	5,246	**30,503**	29,596
Accrued vacation and related taxes	**11,943**	6,918	**25,624**	24,604
Others	**822**	615	**9,808**	1,476
Total	**17,909**	12,779	**65,935**	55,676

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

19. Installment payment of business acquisitions

	Consolidated	
	12/31/2019	12/31/2018
Business acquisitions in Brazil	**9,864**	-
Business acquisitions in other countries (a)	**31,694**	36,710
Total	**41,558**	36,710
Current	**6,394**	6,528
Noncurrent	**35,164**	30,182

(a) The amounts of the installment payment are denominated in US dollar, which are subject to interest of 5.75% per year.

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

	Consolidated
2021	**3,452**
2022	**9,052**
2023	**7,810**
2024 and thereafter	**14,850**
	35,164

Cash disbursement for acquisitions

	Consolidated	
	12/31/2019	12/31/2018
Payments of installments of business acquisitions made in Brazil by acquired companies in prior periods	**457**	-
Payments of installments of business acquisitions made in other countries in prior years	**4,754**	6,983
Cash outflow	**5,211**	6,983

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

20. 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	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Labor and social security (a)	**6,190**	3,880	**12,084**	10,956
Tax (b)	**-**	-	**36**	-
Civil (c)	**619**	924	**2,512**	1,944
Business combination – business acquisitions	**-**	-	**43,042**	-
Business combination – PPA allocation (d)	**-**	-	**27,006**	-
	6,809	4,804	**84,680**	12,900

(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 13% 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$ 8,760 in Parent and R$ 53,705 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$ 6,254. The lawsuit is under discussion at the administrative level.

As of December 31, 2019, the Group has a total exposure related to labor lawsuits in the amount of R$ 47,125 (R$ 29,845 as of December 31, 2018) in Parent and R$ 92,004 (R$ 89,602 as of December 31, 2018) in Consolidated, and of this amount R$ 17,573 (R$ 16,020 as of December 31, 2018) refers to lawsuits for which the likelihood of loss was assessed as possible in Parent and R$ 50,127 (R$ 40,160 as of December 31, 2018) in Consolidated.

The Group uses the average percentage of approximately 13% applied to the total amount of exposure when recognizing a provision.

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

20. 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 December 31, 2017	3,082	-	724	3,806
Additions	3,662	196	200	4,058
Uses	(2,864)	(196)	-	(3,060)
Balance as of December 31, 2018	**3,880**	**-**	**924**	**4,804**
Additions	**5,253**	**-**	**126**	**5,379**
Uses	**(2,943)**	**-**	**(431)**	**(3,374)**
Balance as of December 31, 2019	**6,190**	**-**	**619**	**6,809**

	Consolidated			
	Labor and social security	Tax	Civil	Total
Balance as of December 31, 2017	10,181	298	2,060	12,539
Additions	10,890	188	339	11,417
Reversals	(216)	(290)	-	(506)
Uses*	(9,899)	(196)	-	(10,095)
Uses of provisions for risks associated to discontinued operations	-	-	(560)	(560)
Exchange rate changes	-	-	105	105
Balance as of December 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**
	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**	**8,869**	**2,258**	**43,043**
Balance as of December 31, 2019	**50,663**	**28,269**	**5,748**	**84,680**

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.

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

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

Business combination--Continued

(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.

21. 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.

22. Income tax and social contribution

a) Deferred income tax and social contribution

Deferred income tax and social contribution arise from recognized tax loss carryforwards 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, 2019 and 2018, deferred income tax and social contribution is as follows:

	Parent	
	12/31/2019	**12/31/2018**
Tax loss carryforwards	**5,081**	6,645
Temporary differences:		
Provision for labor, civil and tax risks	**2,315**	1,633
Provision for disposal of assets	**139**	28
Deferred income tax liability on amortization of goodwill of companies acquired	**(40,768)**	(40,762)
Deferred tax liability arising from fair value allocation of business combinations	**(643)**	(1,555)
Accrued liabilities and others	**8,017**	5,963
	(25,859)	(28,048)
Assets	**-**	-
Liabilities	**(25,859)**	(28,048)

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

22. Income tax and social contribution--Continued

a) Deferred income tax and social contribution--Continued

	Consolidated	
	12/31/2019	12/31/2018
Tax loss carryforwards	**101,212**	95,385
Provision for impairment of deferred taxes (Note 21c)		-
Temporary differences:		
Provision for labor, civil and tax risks	**6,039**	4,138
Provision for disposal of assets	**2,231**	3,422
Accrued liabilities	**9,409**	8,824
Asset appreciation and difference between accounting and tax law depreciation rates	**20,074**	25,355
Deferred income tax liability on amortization of goodwill of companies acquired and merged and/or derived from fair value allocation of business combinations	**(196,418)**	(194,268)
Other temporary differences	**(2,539)**	(4,568)
	(59,992)	(61,712)
Assets	**17,509**	9,863
Liabilities	**(77,502)**	(71,575)
	(59,992)	(61,712)

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	**607**	**4,786**
From 1 to 2 years	**2,827**	**22,279**
From 2 to 3 years	**3,092**	**24,365**
From 3 to 4 years	**3,419**	**26,941**
From 5 to 7 years	**3,795**	**29,905**
From 7 to 10 years	**1,812**	**30,689**
	15,552	**138,965**

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

22. Income tax and social contribution--Continued

b) Realization of deferred income tax and social contribution--Continued

As of December 31, 2019, the Group has tax loss carryforwards amounting to R$ 297,682 (R$ 280,544 as of December 31, 2018) for which it recognized deferred taxes and the amount of R$ 80,437 (R$ 60,787 as of December 31, 2018) 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	
	12/31/2019	**12/31/2018**
Profit (loss) before income tax and social contribution from continuing operations	**(16,800)**	13,203
Statutory tax rate	**34%**	34%
Income tax and social contribution benefit (expense) at statutory rate	**5,712**	(4,489)
Adjustments made:		
Permanent differences (*)	**(810)**	(2,382)
Share of profit (loss) of investees	**(11,558)**	(18)
Deferred income tax credits on tax loss carryforwards not recognized or recognized on losses/bases of prior years	**(997)**	(279)
Profit of foreign subsidiaries	**10,075**	7,817
Other permanent differences	**(1,464)**	(5,958)
Income tax and social contribution	**958**	(5,309)
Current		(735)
Deferred	**958**	(4,574)
	958	(5,309)

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

22. Income tax and social contribution--Continued

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

	Consolidated	
	12/31/2019	**12/31/2018**
Profit (loss) before income tax and social contribution from continuing operations	**(7,960)**	7,722
Statutory tax rate	**34%**	34%
Income tax and social contribution benefit (expense) at statutory rate	**2,706**	(2,625)
Adjustments made:		
Permanent differences (i)	**(1,563)**	(4,878)
Deferred income tax credits on tax loss carryforwards not recognized or recognized on losses/bases of prior years	**(7,499)**	(7,943)
Reversal of provision for impairment of deferred taxes (ii)	**-**	13,184
Other permanent differences	**(1,528)**	2,433
Income tax and social contribution	**(7,884)**	171
Current	**(8,671)**	(8,472)
Deferred	**788**	8,643
	(7,884)	171

(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.

23. Equity

a) Capital

The Company is authorized to increase capital by up to 40,584,077 common shares without par value.

The reconciliation of shares at the beginning and at the end of the year is as follows:

	Parent
Shareholding position as of December 31, 2018	166,531,600
New shares issued in 2019	29,387,930
Shareholding position as of December 31, 2019	**195,919,530**

As of December 31, 2019, the Company's capital comprises 195,919,530 (166,531,600 at December 31, 2018) shares that represent an amount of R$ 786,065 (R$ 876,281 as of December 31, 2018).

At the Extraordinary General Meeting held on October 4, 2018, the Company's Board of Directors approved the reduction of the Company's issued capital by R$100,000, without reduction in the number of shares, which was carried out on February 8, 2019.

23. Equity--Continued

a) Capital--Continued

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 (nine million, seven hundred and eighty-four thousand) , through the issuance of 29,387,930 (twenty-nine million, three hundred and eighty-seven thousand, nine hundred and thirty) registered common shares without par value, therefore, the Company's capital is now divided into 195,919,530 (one hundred and ninety-five million, nine hundred and nineteen thousand, five hundred and thirty) 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.

As of December 31, 2018, Management proposed dividends to be distributed amounting to R$1,875, which correspond to 25% of the profit for the year after the recognition of the legal reserve.

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 (four million, nine hundred and eleven thousand and four hundred and thirty-six) common shares with the objective of increasing shareholder value generation.

On September 18, 2018, the Company's Board of Directors approved the new "Program to Buy Back" shares effective until September 18, 2019 and for a volume of up to 13,000,000 (thirteen million) shares in order to increase the value generated for the shareholders

During 2019, the Company acquired 350,000 common shares (5,630,600 at December 31, 2018) at the average price of R$ 6.03 (R$ 6.44 at December 31, 2018), representing a disbursement of R$ 362 (R$ 36,277 at December 31, 2018).

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

23. Equity--Continued

c) Treasury shares--Continued

The activity in treasury shares in the years ended December 31, 2018 and 2019 was as follows:

	Number of shares	Amount	Average price per share – R$
Balance as of December 31. 2017	3,950,000	20,714	5.24
(-) Stock options exercised (average price R$ 5.24)	(343,000)	(1,798)	5.24
	3,607,000	18,916	5.24
Treasury shares acquired (average price R$ 6.37)	3,950,000	25,148	6.37
	7,557,000	44,064	5.83
(-) Stock options exercised (average price R$ 5.83)	(50,000)	(292)	5.83
	7,507,000	43,772	5.83
Treasury shares acquired (average price R$ 6.42)	986,700	6,335	6.42
	8,493,700	50,107	5.90
(-) Stock options exercised (average price R$ 5.90)	(200,000)	(1,179)	5.90
	8,293,700	48,928	5.90
Treasury shares acquired (average price R$ 6.91)	693,900	4,794	6.91
	8,987,600	53,722	5.98
(-) Stock options exercised (average price R$ 5.98)	(430,000)	(2,570)	5.98
Balance as of December 31, 2018	**8,557,600**	**51,151**	**5.98**
(-) Stock options exercised	(2,057,000)	(12,301)	5.98
	6,500,000	38,850	5.98
Treasury shares acquired (average price R$ 6.94)	350,000	2,428	6.94
	6,850,600	41,278	6.03
(-) Stock options exercised	(60,000)	(362)	6.03
Balance as of December 31. 2019	**6,790,600**	**40,917**	**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.

24. 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.

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 six 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.

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

24. Share-based payment plan--Continued

The position of the granted options outstanding as of December 31, 2019 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	4.84
2016	3,900,000	(1,067,000)	(2,733,000)	100,000	2.19	4.00	4.64
2017	4,050,000	(1,761,250)	(1,365,000)	923,750	3.22	6.56	7.55
2018	100,000	-	-	100,000	1.95	6.75	6.75
2019	350,000	-	-	350,000	3.01	6.00	6.00
	11,100,000	**(4,336,250)**	**(5,290,000)**	**1,473,750**			
Stock Option Plan – 2017							
2017	4,300,000	(790,000)	-	3,510,000	2.96	7.47	8.36
2018	900,000	(20,000)	-	880,000	1.98	6.37	6.49
	5,200,000	**(810,000)**	**-**	**4,390,000**			
Stock Option Plan – 2019							
	3,550,000	(50,000)	-	3,500,000	2.97	7.57	7.81
	3,550,000	**(50,000)**	**-**	**3,500,000**			
	19,850,000	**(5,196,250)**	**(5,290,000)**	**9,363,750**			

(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.

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

24. 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, 2017	5,425,000	4,300,000	-	9,725,000
(+) Options granted in 2018	-	1,000,000	-	1,000,000
(-) Not exercised due to withdrawal / expired				
2017 grant	(1,176,250)	(240,000)	-	(1,416,250)
(-) Exercised				
2017 grant	(233,000)	-	-	(233,000)
2016 grant	(590,000)	-	-	(590,000)
2015 grant	(200,000)	-	-	(200,000)
Number of options outstanding as of December 31, 2018	**3,225,750**	**5,060,000**	**-**	**8,285,750**
(+) Options granted in 2019	350,000	-	3,550,000	3,900,000
(-) Not exercised due to withdrawal / expired				
2019 grant	-	-	(50,000)	(50,000)
2018 grant	-	(20,000)	-	(20,000)
2017 grant	(85,000)	(550,000)	-	(635,000)
(-) Exercised				
2017 grant	(1,057,000)	-	-	(1,057,000)
2016 grant	(1,060,000)	-	-	(1,060,000)
Number of options outstanding as of December 31, 2019	**1,373,750**	**4,490,000**	**3,500,000**	**9,363,750**

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	As of 12/31/2018	Appropriated to the results in 2019	As of 12/31/2019	Amounts to be recorded in future periods(1)
Stock Option Plan – 2015				
2015	5,659	-	5,659	-
2016	6,158	49	6,207	7
2017	5,861	1,078	6,939	421
2018	2	85	87	108
2019	-	279	279	776
	17,680	1,491	19,171	1,312
Stock Option Plan – 2017				
2017	5,558	2,084	7,642	2,761
2018	57	728	783	957
	5,613	2,812	8,425	3,718
Stock Option Plan – 2019				
2019	-	1,340	1,340	9,067
	-	1,340	1,340	9,067
Total	23,293	5,643	28,936	14,097

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

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

24. 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]	**41.9%**
Risk-free rate [3]	**5.0%**

(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.

25. Net revenue

	Parent		
Disaggregated revenue	Catering	Retail	Total
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**
Gross revenue	139,333	40,334	179,667
Taxes on sales	(13,964)	1,746	(12,218)
Returns and rebates	(294)	(125)	(419)
Net revenue as of December 31, 2018	125,075	41,955	167,030

	Consolidated			
Disaggregated revenue	Franchises	Catering	Retail	Total
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**
Gross revenue	-	204,704	1,478,426	1,683,130
Taxes on sales	-	(22,931)	(45,800)	(68,731)
Returns and rebates	-	(294)	(32,024)	(32,318)
Net revenue as of December 31, 2018	-	181,479	1,400,602	1,582,081

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

26. Selling and operating expenses

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Payroll	**(7,338)**	(5,945)	**(13,025)**	(14,105)
Publicity and advertising	**(310)**	(452)	**(27,580)**	(28,655)
Rental expenses	**(6,556)**	(9,516)	**(72,827)**	(151,975)
Third party services	**(1,826)**	(2,217)	**(31,424)**	(37,012)
Credit and debit card fees	**(322)**	(266)	**(20,844)**	(19,701)
Royalties	**-**	-	**(26,047)**	(23,652)
Maintenance	**(70)**	(50)	**(16,128)**	(16,178)
Logistics	**(902)**	(980)	**(5,438)**	(4,659)
Communication infrastructure	**(360)**	(579)	**(3,117)**	(3,680)
Fees and charges	**(510)**	(334)	**(14,087)**	(12,686)
Other expenses	**(714)**	(4,682)	**(20,680)**	(22,580)
	(18,908)	(25,021)	**(251,197)**	(334,883)

27. General and administrative expenses

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Payroll	**(40,296)**	(33,067)	**(72,534)**	(65,560)
Office rental	**(339)**	(1,194)	**(1,131)**	(2,994)
Third party services	**(8,515)**	(7,522)	**(17,940)**	(10,715)
Travel expenses	**(426)**	(885)	**(2,449)**	(2,715)
Maintenance and utilities	**(1,649)**	(2,056)	**(3,518)**	(4,089)
Share-based payments	**(5,643)**	(9,568)	**(5,644)**	(9,568)
Store launchings	**-**	-	**(7,824)**	(5,754)
Expense recovery – apportionment among related parties	**34,134**	37,836	**-**	-
Infrastructure and communication	**-**	(514)	**-**	(1,336)
Expenses related to association agreement/business combination	**(15,848)**	(6,403)	**(16,030)**	(6,403)
Other expenses	**(3,231)**	(3,282)	**(8,078)**	(5,071)
	(41,813)	(26,655)	**(135,148)**	(114,205)

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

28. Other operating income (expenses), net

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Other expenses:				
Write-off of fixed assets	**(60)**	(153)	**(1,600)**	(3,653)
Provision for labor, civil and tax risks, net of reversals	**(5,284)**	(4,058)	**(12,961)**	(10,910)
Net gain (loss) on acquisition of noncontrolling interest	**-**	-	**-**	(819)
Costs with closure of stores	**(4)**	(1,234)	**(2,457)**	(7,008)
Other expenses	**(617)**	(309)	**-**	(750)
	(5,965)	(5,754)	**(17,018)**	(23,140)
Other income:				
Rebates and commercial agreements	**408**	674	**6,654**	2,983
Sales of fixed assets and commercial rights	**39**	-	**4,062**	89
Recovery of tax credits	**5,046**	3,077	**20,354**	11,481
Other revenues	**-**	-	**3,018**	662
	5,493	3,751	**34,088**	15,215
Total, net	**(472)**	(2,003)	**17,070**	(7,925)

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

29. Finance income (expense), net

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Finance income:				
Income from financial investments	**6,079**	630	**7,104**	3,146
Inflation adjustment gains	**3,241**	-	**10,963**	6,523
Gain on waiver of loans of related party	**-**	27,782	**-**	-
Exchange gains	**-**		**333**	
	9,320	28,412	**18,400**	9,669
Finance expense:				
Interest on borrowings	**(19,940)**	(919)	**(29,531)**	(11,451)
Interest on business acquisitions and acquisitions of commercial rights	**(3,068)**	-	**(3,068)**	(1,937)
Exchange losses	**(45)**	(1,724)	**-**	(1,774)
Inflation adjustment, interest and banking fees	**(955)**	(844)	**(1,737)**	(3,258)
Interest - lease liability	**(1,801)**	-	**(33,693)**	-
Other finance expense	**-**	(1,949)	**(7,749)**	(8,691)
	(25,809)	(5,436)	**(75,778)**	(27,111)
Total, net	**(16,489)**	22,976	**(57,378)**	(17,442)

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

30. Expenses by nature

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Inventory costs	**(38,506)**	(42,529)	**(564,973)**	(549,490)
Royalty costs	**-**	-	**(3,964)**	-
Personnel expenses	**(103,213)**	(100,743)	**(498,110)**	(497,470)
Selling expenses	**(310)**	(452)	**(27,580)**	(28,655)
Third party services	**(10,341)**	(9,739)	**(49,849)**	(48,093)
Operating expenses	**(20,587)**	(26,051)	**(225,647)**	(307,619)
Depreciation and amortization	**(16,371)**	(16,879)	**(79,004)**	(77,640)
Amortization - right of use	**(3,874)**	-	**(70,497)**	-
Impairment of assets	**(1,098)**	15	**(3,877)**	(6,029)
Expense recovery – related parties	**34,134**	37,836	**-**	-
Amortization of investment in joint venture	**-**	-	**(2,462)**	(2,281)
Share of profit (loss) of investees	**33,993**	52	**12,241**	9,147
Other expenses	**(21,158)**	(16,310)	**(57,191)**	(40,861)
	(147,331)	(174,800)	**(1,570,913)**	(1,548,991)

Classified as:				
Cost of sales and services	**(103,892)**	(111,105)	**(1,090,557)**	(1,073,012)
Selling and operating expenses	**(18,908)**	(25,021)	**(251,487)**	(334,883)
General and administrative expenses	**(41,813)**	(26,655)	**(135,148)**	(114,205)
Depreciation and amortization	**(11,739)**	(12,086)	**(29,125)**	(27,728)
Amortization of right of use	**(3,874)**		**(70,497)**	
Impairment of assets	**(1,098)**	15	**(3,877)**	(6,029)
Share of profit (loss) of investees	**33,993**	52	**9,778**	6,866
	(147,331)	(174,800)	**(1,570,913)**	(1,548,991)

31. 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 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.

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

31. Related parties--Continued

Due to the aforementioned agreements, the subsidiaries of the direct subsidiary MultiQSR, shown below, have the following amounts recorded at December 31, 2019:

	KSR Master	PHSR Master	Inventure	PHSR Gestão	Miller	Brão Geraldo	Chácara Primavera
Liabilities							
Royalties payable	**4,265**	**6,380**	**2,054**	**213**	**343**	**19**	**84**
Profit or loss							
Royalty expenses	**(1,326)**	**(2,639)**	**(791)**	**(75)**	**(391)**	**-**	**-**

b) Shared expenses

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	
	12/31/2019	12/31/2018
Reimbursement of expenses		
Viena Chain	**22,138**	32,450
Frango Assado Chain	**3,454**	5,342
Tob's	**-**	44
	25,592	37,836

c) Purchase and sale transactions:

The Company and its subsidiaries conduct trading transactions, mainly purchases and sales, carried out under usual market conditions and prices, when any.

Sales transactions:

	Parent	
	12/31/2019	12/31/2018
Viena Chain	**5,657**	17,481
Frango Assado	**213**	2,734
	5,870	20,215

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

31. Related parties--Continued

d) Other transactions

With the full integration of operations with its subsidiaries, the Company carries out transactions involving transfers of funds and balances in checking accounts. Outstanding balances are as follows

Assets

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Rede Viena	**81,023**	17,481	**-**	-
Frango Assado	**6,485**	2,734	**-**	-
MultiQSR	**40,777**	-	**-**	-
BRS Gestão	**-**	-	**698**	-
TBB Gestão	**-**	-	**1,715**	-
WW Holding	**-**	-	**122**	-
	128,285	20,215	**2,535**	-

Liabilities

	Parent		Consolidated	
	12/31/2019	12/31/2018	**12/31/2019**	12/31/2018
Tobs	**611**	751	**-**	-
Panamá	**50,448**	58,791	**-**	
TBB Gestão	**-**	-	**494**	
WW Holding	**-**	-	**2,586**	-
	51,059	59,542	**3,080**	-

The guarantees provided by Group companies for own or related-party financing are disclosed in Note 16.

32. Compensation of key management personnel

For the year ended December 31, 2019, key management compensation totaled R$ 16,778 (R$ 16,658 as of December 31, 2018) in Parent and Consolidated, including the amount of R$ 4,668 (R$ 7,813 as of December 31, 2018) 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.

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

33. 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, 2019, insurance coverage is as follows:

	Consolidated
Civil liability	**58,366**
Sundry risks - inventories and property, plant and equipment	**629,305**
Vehicles	**68,317**
Others	**12,323**
	768,311

34. Earnings (loss) per share

Basic

Basic earnings (loss) per share are calculated by dividing profit (loss) for the year 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 profits (loss) per share pursuant to CPC 41/IAS 33 - Earnings per Share:

	Parent and Consolidated	
	12/31/2019	**12/31/2018**
Basic and diluted numerator		
Profit (loss) for the year attributable to Company's shareholders used to calculate total basic and diluted earnings (loss) per share	**(15,842)**	7,894
Outstanding shares:		
Basic and diluted denominator (thousands of shares)	**168,875**	161,944
Weighted average number of stock options granted	**-**	275
Weighted average number of available shares	**168,875**	162,219
Basic earnings (loss) per share - R$	**(0.09381)**	0.04875
Diluted earnings (loss) per share - R$	**(0.09381)**	0.04866

35. Events after the reporting period

Share buyback plan

On January 8, 2019, the Company's Board of Directors approved the closure of the Company's share buyback program approved by the Board of Directors on November 7, 2019 ("Buyback Program"), and authorized the Executive Board to sell the shares issued by the Company and held in treasury.

COVID-19 and impact on the Financial Statements

In accordance with Circular Letter No. 02/2020 issued on March 10, 2020 by the CVM (Brazilian Securities and Exchange Commission), the Company has constantly assessed the potential impacts of the Coronavirus (COVID-19) on the administrative and operations areas and has taken some measures to curb the spread of the disease and minimize economic impacts.

In order to provide quick responses to a situation such as these circumstances, the Company established an emergency committee to assess the situation and prepare the measures to be taken to preserve the safety and health of employees, consumers and the community.

The Company values the continuity of its activities, which it believes to be of paramount importance to the community at this time, and has maintained its operations as follows:

- Highways: Food courts in gas stations and stores working, only bakery and mini-market are operating with reduced hours
- Shopping Malls: Operation functioning, in most regions, through delivery
- Airports: in Brazil catering and retail remain in operation with few stores closed. The Caribbean has closed operations.
- United States: 20% of units in operation

In order to minimize possible financial losses, the Company has adopted the following measures:

a) Enhanced Delivery - Alternatives for generating revenue in the period

In Brazil, the Company reinforced delivery of the Pizza Hut, KFC, Olive Garden and Viena brands. Marketing campaigns were directed to digital channels and family-focused promotions were included, that is, with quarantine orders tend to have a greater number of items, as distinct from day-to-day normal operations.

35. Events after the reporting period --Continued

COVID-19 and impact on the Financial Statements--Continued

b) Cost Reduction and Cash Preservation Alternatives

In Brazil, due to the closing of stores, there was a reduction of approximately 30% in staff over the past few days and, for employees who remain, some shall enjoy vacation periods and some will have their employment contracts suspended according to unions negotiations. There are also new decrees from the State and Federal governments.

In Colombia and Panama, the suspension of employees' contracts was initiated following a plan in accordance with the legislation of each country.

In the United States, there was a reduction in staff, suspension of the employment contract for part of the employees with maintenance of the health plan and some employees were placed on vacation.

As for other expenses, in all countries, there is negotiation of lease agreements in progress, reduction of the opening hours of the stores that remain open as well as the closure of stores (approximately 15 stores of the Viena brand) of shopping malls, which were already being monitored.

In addition, we temporarily suspended all new Capex projects that were not at an advanced stage of completion.

c) Liquidity

Despite the great volatility in the financial markets, management does not, at this moment, see any sign of a relevant liquidity risk for the Company, assuming the actions being implemented have the expected effect.

Regarding the measurement of assets and liabilities, we have not yet identified any relevant situations or changes in the estimates of impairment of assets, allowance for expected credit losses, net realization of inventories and deferred taxes.

Calling of the general meeting of debenture holders

On March 27, 2020, the Company published a call notice for the General Meeting of Debenture Holders (1st and 2nd issue) to decide on the following proposals:

(i) authorization for the Company to be waived exempted from the compliance with the Financial Ratio contained in the Default Event provided for in item “xxviii” of Section 7.1 of the debenture issue indentures, pursuant to verifications that they will be realized based on: (a) the Company's reviewed consolidated quarterly financial information (ITRs) as of March 31, June 30 and September 30, 2020 and 2021; and (b) the Company's audited consolidated annual financial statements as of December 31, 2020 and 2021.

36. Authorization of the individual and consolidated financial statements

At the meeting held on March 30, 2020, 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, 2019.

São Paulo, March 30, 2020.

Newtom Maia Salomão Alves
Chief Executive Officer

Maristela Aprecida do Nascimento
Chief Financial Officer

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, 2019.

São Paulo, March 30, 2020.

Newtom Maia Salomão Alves
Chief Executive Officer

Maristela Aparecida do Nacimento
Chief Financial Officer