UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

X **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number: 001-35129

Arcos Dorados Holdings Inc.

(Exact name of Registrant as specified in its charter)

British Virgin Islands

(Jurisdiction of incorporation or organization)

Dr. Luis Bonavita 1294, Office 501

Montevideo, Uruguay, 11300 WTC Free Zone

(Address of principal executive offices)

Juan David Bastidas

Chief Legal Officer

Arcos Dorados Holdings Inc.

Dr. Luis Bonavita 1294, 5th floor, Office 501, WTC Free Zone

Montevideo, Uruguay 11300

Telephone: +598 2626-3000

Fax: +598 2626-3018

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A shares, no par value	ARCO	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital stock or common stock as of the close of the period covered by the annual report.

Class A shares: 130,478,322

Class B shares: 80,000,000

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

ARCOS DORADOS HOLDINGS INC.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to "U.S. dollars," "dollars," "U.S.$" or "$" are to the U.S. dollar. All references to "Argentine *pesos*" or "ARS$" are to the Argentine *peso*. All references to "Brazilian *reais*" or "R$" are to the Brazilian *real*. All references to "Mexican *pesos*" or "Ps." are to the Mexican *peso*. All references to "Venezuelan *bolívares*" or "Bs." are to the Venezuelan *bolívar*, the legal currency of Venezuela. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls" for information regarding exchange rates for the Argentine, Brazilian and Mexican currencies.

Definitions

In this annual report, unless the context otherwise requires, all references to "Arcos Dorados," the "Company," "we," "our," "ours," "us" or similar terms refer to Arcos Dorados Holdings Inc., together with its subsidiaries. All references to "systemwide" refer only to the system of McDonald's-branded restaurants operated by us or our sub-franchisees in 20 countries and territories in Latin America and the Caribbean, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, the U.S. Virgin Islands of St. Croix and St. Thomas, and Venezuela, which we refer to as the "Territories," and do not refer to the system of McDonald's-branded restaurants operated by McDonald's Corporation, its affiliates or its franchisees (other than us).

We own our McDonald's franchise rights pursuant to a Master Franchise Agreement for all of the Territories, except Brazil, which we refer to as the "MFA," and a separate, but substantially identical, Master Franchise Agreement for Brazil, which we refer to as the "Brazilian MFA." We refer to the MFA and the Brazilian MFA, as amended or otherwise modified to date, collectively as the "MFAs." We commenced operations on August 3, 2007, as a result of our purchase of McDonald's operations and real estate in the Territories (except for Trinidad and Tobago), which we refer to collectively as the "McDonald's LatAm" business, and the acquisition of McDonald's franchise rights pursuant to the MFAs, which together with the purchase of the McDonald's LatAm business, we refer to as the "Acquisition."

Financial Statements

We prepare our financial statements in accordance with accounting principles and standards generally accepted in the United States, or U.S. GAAP, and elect to report in U.S. dollars.

The financial information contained in this annual report includes our consolidated financial statements at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member Firm of Ernst & Young Global, as stated in their report included elsewhere in this annual report.

We were incorporated on December 9, 2010 as a direct, wholly owned subsidiary of Arcos Dorados Limited, the prior holding company for the Arcos Dorados business. On December 13, 2010, Arcos Dorados Limited effected a downstream merger into and with us, with us as the surviving entity. The merger was accounted for as a reorganization of entities under common control in a manner similar to a pooling of interest and the consolidated financial statements reflect the historical consolidated operations of Arcos Dorados Limited as if the reorganization structure had existed since Arcos Dorados Limited was incorporated in July 2006.

Our fiscal year ends on December 31. References in this annual report to a fiscal year, such as "fiscal year 2021," relate to our fiscal year ended on December 31 of that calendar year.

Operating Data

Effective October 1, 2021, the Company made certain changes in its internal management structure in order to gain operational agility. As a result, the Company also reorganized its operations from four geographic divisions to three geographic divisions, as follows: (i) Brazil, (ii) the North Latin American division, or "NOLAD," consisting of Costa Rica, Mexico, Panama, Puerto Rico, Martinique, Guadeloupe, French Guiana and the U.S. Virgin Islands of St. Croix and St. Thomas, and (iii) the South Latin American division, or "SLAD," consisting of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao. For more information see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Segment Presentation."

We operate McDonald's-branded restaurants under two different operating formats: those directly operated by us, or "Company-operated" restaurants, and those operated by sub-franchisees, or "franchised" restaurants. All references to "restaurants" are to our freestanding, food court, in-store and mall store restaurants and do not refer to our McCafé locations or Dessert Centers. Systemwide data represents measures for both our Company-operated restaurants and our franchised restaurants.

We are the majority stakeholder in two joint ventures with third parties that collectively own 15 restaurants in Argentina and Chile. We consider these restaurants to be Company-operated restaurants. We also have granted developmental licenses to 8 restaurants. Developmental licensees own or lease the land and buildings on which their restaurants are located and pay a franchise fee to us in addition to the continuing franchise fee due to McDonald's. We consider these restaurants to be franchised restaurants. Additionally, in November 2021, a joint venture was formed with a Mexican sub-franchisee in which the Company is a minority stakeholder. We consider these restaurants to be franchised restaurants. The Company's joint ventures in Argentina, Chile and Mexico operate as a joint venture under the traditional definition used within the McDonald's system for such business arrangements. For purposes of this annual report, a joint venture is an entity that operates certain restaurants in the Company's territory in which the Company is a stakeholder together with a third party. This third party is always a sub-franchisee of the Company. Although the Company exercises significant influence over the entity's operating and financial policies, the third party is responsible for the day-to-day operation of the entity's restaurants. Restaurants operated by entities in which the Company has a majority stake are considered to be Company-operated; whereas, entities in which the Company holds a minority stake are considered to be franchised.

Market Share and Other Information

Market data and certain industry forecast data used in this annual report were obtained from internal reports and studies, where appropriate, as well as estimates, market research, publicly available information (including information available from the United States Securities and Exchange Commission, or the "SEC," website) and industry publications, including the United Nations Economic Commission for Latin America and the Caribbean and the CIA World Factbook. Industry publications generally state that the information they include has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal reports and studies, estimates and market research, which we believe to be reliable and accurately extracted by us for use in this annual report, have not been independently verified. However, we believe such data is accurate and agree that we are responsible for the accurate extraction of such information from such sources and its correct reproduction in this annual report.

Basis of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Rounding

We have made rounding adjustments to some of the figures included in this annual report. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Many of the forward-looking statements contained in this annual report can be identified by the use of forward-looking words such as "aim," "anticipate," "believe," "could," "expect," "should," "plan," "intend," "estimate" and "potential," among others.

Forward-looking statements appear in a number of places in this annual report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified in "Item 3. Key Information—D. Risk Factors" in this annual report. These risks and uncertainties include factors relating to:

- effects of private or government measures and the COVID-19 pandemic that could negatively affect the global economy and our markets' economy and business;
- changes in our liquidity or the availability of lines of credit and other sources of financing;
- general economic, political, demographic and business conditions in Latin America and the Caribbean;
- fluctuations in inflation and exchange rates in Latin America and the Caribbean;
- our ability to implement our growth strategy;
- the success of operating initiatives, including advertising and promotional efforts and new product and concept development by us and our competitors;
- our ability to compete and conduct our business in the future;
- changes in consumer tastes and preferences, including changes resulting from concerns over nutritional or safety aspects of beef, poultry, french fries or other foods or the effects of health pandemics or food-borne illnesses, such as COVID-19, bovine spongiform encephalopathy disease and avian influenza or "bird flu," climate change, and changes in spending patterns and demographic trends, such as the extent to which consumers eat meals away from home;
- the availability, location and lease terms for restaurant development;
- our sub-franchisees, including their business and financial viability and the timely payment of our sub-franchisees' obligations due to us and to McDonald's;
- our ability to comply with the requirements of the MFAs, including McDonald's standards;
- our decision to own and operate restaurants or to operate under franchise agreements;
- the availability of qualified restaurant personnel for us and for our sub-franchisees, and the ability to retain such personnel;
- changes in commodity costs, labor, supply, fuel, utilities, distribution and other operating costs;
- changes in labor laws;
- our ability, if necessary, to secure alternative distribution of supplies of food, equipment and other products to our restaurants at competitive rates and in adequate amounts, and the potential financial impact of any interruptions in such distribution;
- material changes in government regulation;
- material changes in tax legislation;
- climate change manifesting as physical or transition risks;

- other factors that may affect our financial condition, liquidity and results of operations; and
- other risk factors discussed under "Item 3. Key Information—D. Risk Factors."

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

ENFORCEMENT OF JUDGMENTS

We are incorporated under the laws of the British Virgin Islands with limited liability. We are incorporated in the British Virgin Islands because of certain benefits associated with being a British Virgin Islands company, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of exchange control or currency restrictions, and the availability of professional and support services. However, the British Virgin Islands has a less developed body of securities laws as compared to the United States and provides protections for investors to a significantly lesser extent. In addition, British Virgin Islands companies may not have standing to sue before the federal courts of the United States.

A majority of our directors and officers, as well as certain of the experts named herein, reside outside of the United States. A substantial portion of our assets and several of such directors, officers and experts are located principally in Argentina, Brazil and Uruguay. As a result, it may not be possible for investors to effect service of process outside Argentina, Brazil and Uruguay upon such directors or officers, or to enforce against us or such parties in courts outside Argentina, Brazil and Uruguay judgments predicated solely upon the civil liability provisions of the federal securities laws of the United States or other non-Argentine, Brazilian or Uruguayan regulations, as applicable. In addition, local counsel to the Company have advised that there is doubt as to whether the courts of Argentina, Brazil or Uruguay would enforce in all respects, to the same extent and in as timely a manner as a U.S. court or non-Argentine, Brazilian or Uruguayan court, an original action predicated solely upon the civil liability provisions of the U.S. federal securities laws or other non-Argentine, Brazilian or Uruguayan regulations, as applicable; and that the enforceability in Argentine, Brazilian or Uruguayan courts of judgments of U.S. courts or non-Argentine, Brazilian or Uruguayan courts predicated upon the civil liability provisions of the U.S. federal securities laws or other non-Argentine, Brazilian or Uruguayan regulations, as applicable, will be subject to compliance with certain requirements under Argentine, Brazilian or Uruguayan law, including the condition that any such judgment does not violate Argentine, Brazilian or Uruguayan public policy.

We have been advised by Maples and Calder, our counsel as to British Virgin Islands law, that the United States and the British Virgin Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters and that a final judgment for the payment of money rendered by any general or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be automatically enforceable in the British Virgin Islands. We have been advised by Maples and Calder that a final and conclusive judgment obtained in U.S. federal or state courts under which a sum of money is payable (i.e., not being a sum claimed by a revenue authority for taxes or other charges of a similar nature by a governmental authority, or in respect of a fine or penalty or multiple or punitive damages) may be the subject of an action on a debt in the court of the British Virgin Islands under British Virgin Islands common law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected balance sheet data as of December 31, 2021 and 2020 and the income statement data for the years ended December 31, 2021, 2020 and 2019 of Arcos Dorados Holdings Inc. are derived from the consolidated financial statements included elsewhere in this annual report, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global.

Prior to October 1, 2021, our operating segments had been comprised of four geographic regions of operation: (i) Brazil (ii) the Caribbean division, consisting of Aruba, Colombia, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas and Venezuela (iii) the North Latin American division, or "NOLAD," consisting of Costa Rica, Mexico and Panama and (iv) the South Latin American division, or "SLAD," consisting of Argentina, Chile, Ecuador, Peru and Uruguay.

Effective October 1, 2021, the Company made certain changes in its internal management structure in order to gain operational agility. As a result, the Company also reorganized its operations from four geographic divisions to three geographic divisions, as follows: (i) Brazil (ii) NOLAD, which now consists of Costa Rica, Mexico, Panama, Puerto Rico, Martinique, Guadeloupe, French Guiana and the U.S. Virgin Islands of St. Croix and St. Thomas and (iii) SLAD, which now consists of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao. In accordance with ASC 280 Segment Reporting, the Company began providing information with the revised structure of geographic divisions in the annual period ended December 31, 2021 and has restated its comparative segment information as of and for the years ended December 31, 2020 and 2019 based on the structure prevailing since October 1, 2021.

We were incorporated on December 9, 2010 as a direct, wholly-owned subsidiary of Arcos Dorados Limited, the prior holding company for the Arcos Dorados business. On December 13, 2010, Arcos Dorados Limited effected a downstream merger into and with us, with us as the surviving entity. The merger was accounted for as a reorganization of entities under common control in a manner similar to a pooling of interest and the consolidated financial statements reflect the historical consolidated operations of Arcos Dorados Limited as if the reorganization structure had existed since Arcos Dorados Limited was incorporated in July 2006. We did not commence operations until the Acquisition on August 3, 2007.

We prepare our financial statements in accordance with accounting principles and standards generally accepted in the United States, or U.S. GAAP, and elect to report in U.S. dollars. This financial information should be read in conjunction with "Presentation of Financial and Other Information," "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements, including the notes thereto, included elsewhere in this annual report.

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars, except for per share data)		
Income (Loss) Statement Data:			
Sales by Company-operated restaurants	$ 2,543,907	$ 1,894,618	$ 2,812,287
Revenues from franchised restaurants	116,034	89,601	146,790
Total revenues	**$ 2,659,941**	**$ 1,984,219**	**2,959,077**
Company-operated restaurant expenses:			
Food and paper	(899,077)	(677,087)	(1,007,584)
Payroll and employee benefits	(482,608)	(413,074)	(567,653)
Occupancy and other operating expenses	(772,169)	(624,154)	(799,633)
Royalty fees	(131,401)	(110,957)	(155,388)
Franchised restaurants—occupancy expenses	(50,627)	(43,512)	(61,278)
General and administrative expenses	(210,909)	(171,382)	(212,515)
Other operating income (expenses), net	26,369	(10,807)	4,910
Total operating costs and expenses	**(2,520,422)**	**(2,050,973)**	**(2,799,141)**
Operating income (loss)	**139,519**	**(66,754)**	**159,936**
Net interest expense	(49,546)	(59,068)	(52,079)
(Loss) gain from derivative instruments	(5,183)	(2,297)	439
Gain from securities	—	25,676	—
Foreign currency exchange results	(9,189)	(31,707)	12,754
Other non-operating income (expenses), net	2,185	2,296	(2,097)
Income (Loss) before income taxes	**77,786**	**(131,854)**	**118,953**
Income tax expense	(31,933)	(17,532)	(38,837)
Net income (Loss)	**45,853**	**(149,386)**	**80,116**
Less: Net income attributable to non-controlling interests	(367)	(65)	(220)
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**45,486**	**(149,451)**	**79,896**
Earnings per share:			
Basic net income (loss) per common share attributable to Arcos Dorados	$ 0.22	$ $ (0.72)	$ $ 0.39
Diluted net income (loss) per common share attributable to Arcos Dorados	$ 0.22	$ $ (0.72)	$ 0.38

	As of December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars, except for share data)		
Balance Sheet Data:			
Cash and cash equivalent	$ 278,830	$ 165,989	$ 121,880
Total current assets	**540,116**	**415,531**	**405,368**
Property and equipment, net	743,533	796,532	960,986
Total non-current assets	**1,821,141**	**1,878,423**	**2,152,317**
Total assets	**2,361,257**	**2,293,954**	**2,557,685**
Accounts payable	269,215	209,535	259,577
Short-term debt and current portion of long-term debt	4,741	3,129	16,529
Total current liabilities	**617,863**	**503,471**	**595,447**
Long-term debt, excluding current portion	739,217	773,445	623,575
Total non-current liabilities	**1,522,232**	**1,592,467**	**1,540,672**
Total liabilities	**2,140,095**	**2,095,938**	**2,136,119**
Total common stock	521,284	519,518	516,119
Total equity	**221,162**	**198,016**	**421,566**
Total liabilities and equity	**2,361,257**	**2,293,954**	**2,557,685**
Shares outstanding	210,478,322	207,265,773	204,070,029

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars, except percentages)		
Other Data:			
Total Revenues			
Brazil	$ 1,002,781	$ 862,748	$ 1,385,566
NOLAD	780,866	584,646	676,382
SLAD(1)	876,294	536,825	897,129
Total	**2,659,941**	**1,984,219**	**2,959,077**
Operating Income (Loss)			
Brazil	$ 117,887	$ 16,121	$ 164,342
NOLAD	48,785	30	29,955
SLAD(1)	48,614	(28,842)	27,894
Corporate and others and purchase price allocation	(75,767)	(54,063)	(62,255)
Total	**139,519**	**(66,754)**	**159,936**
Operating Margin(2)			
Brazil	11.8 %	1.9 %	11.9 %
NOLAD	6.2	0.0	4.4
SLAD(1)	5.5	(5.4)	3.1
Total	**5.2**	**(3.4)**	**5.4**
Adjusted EBITDA(3)			
Brazil	$ 175,603	$ 76,155	$ 227,844
NOLAD	85,323	41,496	64,059
SLAD(1)	77,573	830	63,043
Corporate and others	(66,741)	(50,370)	(63,171)
Total	**271,758**	**68,111**	**291,775**
Adjusted EBITDA Margin(4)			
Brazil	17.5 %	8.8 %	16.4 %
NOLAD	10.9	7.1	9.5
SLAD (1)	8.9	0.2	7.0
Total	**10.2**	**3.4**	**9.9**
Other Financial Data:			
Working capital(5)	(77,747)	(87,940)	(190,079)
Capital expenditures(6)	115,077	90,144	267,893
Cash Dividends declared per common share	$ —	$ 0.05	$ 0.11
Stock Dividends declared per every 70 common shares	1.00	—	—
Stock Dividends declared per every 75 common shares	—	1.00	—

	As of December 31,		
	2021	2020	2019
Number of systemwide restaurants	**2,261**	**2,236**	**2,293**
Brazil	1,051	1,020	1,023
NOLAD	625	629	655
SLAD	585	587	615
Number of Company-operated restaurants	**1,579**	**1,576**	**1,580**
Brazil	631	610	612
NOLAD	453	475	456
SLAD	495	491	512
Number of franchised restaurants	**682**	**660**	**713**
Brazil	420	410	411
NOLAD	172	154	199
SLAD	90	96	103

(1) Currency devaluations in Venezuela have had a significant effect on our income statements and have impacted the comparability of our income statements. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Foreign Currency Translation—Venezuela."

(2) Operating margin is operating income (loss) divided by total revenues, expressed as a percentage.

(3) Adjusted EBITDA is a measure of our performance that is reviewed by our management. Adjusted EBITDA does not have a standardized meaning and, accordingly, our definition of Adjusted EBITDA may not be comparable to Adjusted EBITDA as used by other companies. Total Adjusted EBITDA is a non-GAAP measure. For our definition of Adjusted EBITDA, see "Item 5. Operating and Financial Review and Prospects-A. Operating Results—Key Business Measures."

(4) Adjusted EBITDA margin is Adjusted EBITDA divided by total revenues, expressed as a percentage.

(5) Working capital equals current assets minus current liabilities.

(6) Includes property and equipment expenditures and purchase of restaurant businesses paid at the acquisition date.

Presented below is the reconciliation between net income and Adjusted EBITDA on a consolidated basis:

Consolidated Adjusted EBITDA Reconciliation	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars)		
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**$ 45,486**	**$ (149,451)**	**$ 79,896**
Plus (Less):			
Net interest expense	49,546	59,068	52,079
Loss (gain) from derivative instruments	5,183	2,297	(439)
(Gain) from securities	—	(25,676)	—
Foreign currency exchange results	9,189	31,707	(12,754)
Other non-operating (income) expenses, net	(2,185)	(2,296)	2,097
Income tax expense	31,933	17,532	38,837
Net income attributable to non-controlling interests	367	65	220
Operating income (loss)	**139,519**	**(66,754)**	**159,936**
Plus (Less):			
Items excluded from computation that affect operating income:			
Depreciation and amortization	120,394	126,853	123,218
Gains from sale, insurance recovery and contribution in equity method investments of property and equipment	(4,876)	(4,210)	(5,175)
Write-offs of property and equipment	3,094	4,501	4,733
Impairment of long-lived assets	1,573	6,636	8,790
Impairment of goodwill	—	1,085	273
Reorganization and optimization plan	12,054	—	—
Adjusted EBITDA	**271,758**	**68,111**	**291,775**

Exchange Rates and Exchange Controls

In 2021, 68% of our total revenues were derived from our restaurants in Brazil, Argentina, Puerto Rico and Mexico. While we elect to report figures in U.S. dollars, our revenues are conducted in the local currency of the territories in which we operate, and as such may be affected by changes in the local exchange rate to the U.S. dollar. The exchange rates discussed in this section have been obtained from each country's central bank. However, in most cases, for consolidation purposes, we use a foreign currency to U.S. dollar exchange rate provided by Bloomberg that differs slightly from that reported by the aforementioned central banks.

Brazil

Exchange Rates

The Brazilian *real* depreciated 3.9% in 2019, depreciated 29% in 2020, depreciated 7.4% in 2021 and appreciated 15% in the first quarter of 2022. As of April 27, 2022, the exchange rate for the purchase of U.S. dollars was R$5.00 per U.S. dollar.

Exchange Controls

Brazilian Resolution 3,568 establishes that, without prejudice to the duty of identifying customers, operations of foreign currency purchase or sale up to $3,000 or its equivalent in other currencies are not required to submit documentation relating to legal transactions underlying these foreign exchange operations. According to Resolution 3,568, the Central Bank of Brazil may define simplified forms to record operations of foreign currency purchases and sales of up to $3,000 or its equivalent in other currencies.

The Brazilian Monetary Council may issue further regulations in relation to foreign exchange transactions, as well as on payments and transfers of Brazilian currency between Brazilian residents and non-residents (such transfers being commonly known as the international transfer of *reais*), including those made through so-called non-resident accounts.

Brazilian law also imposes a tax on foreign exchange transactions, or "IOF/Exchange," on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. As of October 7, 2014, the general IOF/Exchange rate applicable to almost all foreign currency exchange transactions was increased from zero to 0.38%, although other rates may apply in particular operations, such as the below transactions which are currently not taxed:

- inflow related to transactions carried out in the Brazilian financial and capital markets, including investments in our common shares by investors which register their investment under Resolution No. 4,373;
- outflow related to the return of the investment mentioned under the first bulleted item above; and
- outflow related to the payment of dividends and interest on shareholders' equity in connection with the investment mentioned under the first bulleted item above.

Notwithstanding these rates of the IOF/Exchange, in force as of the date hereof, the Minister of Finance is legally entitled to increase the rate of the IOF/Exchange to a maximum of 25% of the amount of the currency exchange transaction, but only on a prospective basis.

Although the Central Bank of Brazil has intervened occasionally to control movements in the foreign exchange rates, the exchange market may continue to be volatile as a result of capital movements or other factors, and, therefore, the Brazilian *real* may substantially decline or appreciate in value in relation to the U.S. dollar in the future.

Brazilian law further provides that whenever there is a significant imbalance in Brazil's balance of payments or reasons to foresee such a significant imbalance, the Brazilian government may, and has done so in the past, impose temporary restrictions on the remittance of funds to foreign investors of the proceeds of their investments in Brazil. The likelihood that the Brazilian government would impose such restricting measures may be affected by the extent of Brazil's foreign currency reserves, the availability of foreign currency in the foreign exchange markets on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole and other factors. We cannot assure you that the Central Bank will not modify its policies or that the Brazilian government will not institute restrictions or delays on cross-border remittances in respect of securities issued in the international capital markets.

Argentina

Exchange Rates

The Argentine *peso* depreciated 58.9% in 2019, 40.5% in 2020, 22.1% in 2021 and 8.1% in the first quarter of 2022. As of April 27, 2022, the exchange rate for the purchase of U.S. dollars was ARS$115.19 per U.S. dollar.

Exchange Controls

For the past few years, Argentina has had currency controls in place that tightened restrictions on capital flows, exchange controls, the official U.S. dollar exchange rate and transfers that substantially limit the ability of companies to retain foreign currency or make payments abroad.

By means of Decree No. 609/2019, as amended, the Argentine government reinstated foreign exchange controls and authorized the Central Bank of Argentina to (a) regulate access to the foreign exchange market (*Mercado Libre de Cambios* or "MLC") for the purchase of foreign currency and outward remittances; and (b) set forth regulations to avoid practices and transactions aimed to circumvent the measures adopted through the decree. As a consequence of these exchange controls, the spread between the official exchange rate and other exchange rates implicitly resulting from certain capital market operations usually effected to obtain U.S. dollars has broadened significantly, reaching a value of approximately 83% above the official exchange rate as of April 27, 2022.

At present, foreign exchange regulations have been (i) extended indefinitely, and (ii) consolidated in a single set of regulations, Communication "A" 7490, as subsequently amended and supplemented from time to time by the Central Bank of Argentina's communications (jointly, the "Argentine FX Regulations"). Below is a description of the main exchange control measures implemented through the aforementioned regulations:

Specific provisions for inward remittances

Obligation to repatriate and settle in Argentine pesos the proceeds from exports of services

Section 2.2 of the Argentine FX Regulations imposes the obligation on exporters to repatriate, and exchange into Argentine *pesos* through the MLC, the proceeds from services rendered to non-residents within 5 business days following payment thereof.

Sale of non-financial non-produced assets

Pursuant to section 2.3 of the Argentine FX Regulations, the proceeds in foreign currency of the sale to non-residents of non-financial non-produced assets must be repatriated and settled in Argentine *pesos* in the MLC within 5 business days following either the perception of funds in the country or abroad, or their accreditation in foreign accounts.

External financial indebtedness

Pursuant to section 2.4 of the Argentine FX Regulations, the new regulations have reinstated the requirement to repatriate, and exchange into Argentine *pesos* through the MLC, the proceeds of new financial indebtedness disbursed as of September 1, 2019, as a condition for accessing the MLC to make debt principal and service payments thereunder. The reporting of debt under the reporting regime established by Communication "A" 6401 (as amended and restated from time to time, the "External Assets and Liabilities Reporting Regime") is also a condition to access the MLC to repay external financial indebtedness. However, section 3.17 of the Argentine FX Regulations established that in order to pay financial debts registered with unrelated parties, with principal maturities between October 15, 2020 and December 31, 2022, a refinancing plan of 60% of the amount owed must be filed (or, alternatively, obtain new financing), thereby only having access to pay the remaining 40% through the MLC; provided that payment of all interest payments under such debt is allowed through the MLC. These regulations are subject to certain characteristics and thresholds but generally apply to external financial indebtedness. Debtors of external financial indebtedness subject to this regulation are required to file a refinancing plan evidencing compliance with this regulation. As of the date of this annual report, Arcos Dorados has not been subject to these refinancing requirements.

Specific Provisions Regarding Access to the MLC

Payment of principal under intercompany foreign financial indebtedness

Access to the MLC for payments of principal under intercompany foreign financial indebtedness is subject to the Central Bank of Argentina's prior approval until December 31, 2022. This provision has been previously extended on several occasions.

Payment of imports of goods

Pursuant to section 10.11.1 of the Argentine FX Regulations, for the purposes of accessing the MLC to pay imports of goods or the principal amount of debts arising from the import of goods, the Central Bank of Argentina's prior approval will be required until December 31, 2022, unless any of the conditions stated in sections 10.11.1 to 10.11.11 are met, which include, but are not limited to:

a) the entity has received an affidavit from the client stating that the total amount of payments associated with its imports of goods processed through the MLC as of 2020, including the payment for which approval is sought, does not exceed the amount by which the importer would have access to the exchange market by more than U.S.$250,000 when computing: (i) the imports of goods registered on behalf of the relevant party on the system for tracking payment of imports of goods (SEPAIMPO) between January 1, 2020 and the day prior to accessing the MLC, (ii) plus the amount of payments made under other exceptions, (ii) minus the amount pending to be paid in Argentina, related to payments of imports with pending customs registration made between September 1, 2019 and December 31, 2019; provided that the importer filed an approved comprehensive import monitoring system declaration (*Sistema Integral de Monitoreo de Importaciones* or "SIMI") that meets the requirements described in the Argentine FX Regulations;

b) in the case of a "deferred payment" of imports corresponding to goods that have been shipped as of July 1, 2020 or that, having been shipped previously, have not arrived in the country before that date, provided that they are linked to a SIMI declaration that complies with the requirements described in the FX Regulations;

c) it is a payment associated with an operation not included in section b) above, to the extent that it is intended to be used towards the cancellation of a commercial debt for imports of goods with an export credit agency or a foreign financial entity or that was guaranteed by either of such entities;

d) in the case of "demand payments" of imports of goods or for commercial debt arising from imports of goods that do not have custom registration evidencing entry of the goods into Argentina, provided that, among others:

- the import corresponds to the importation of materials/supplies to be used for the production of goods in the country; and
- the payments made under this section do not exceed, in the current calendar month and for the financial entities as a whole, the amount obtained by considering the average of the total amount of imports of materials/supplies computed by the company in the formula stated in a) above in the last twelve months, minus the amount of imports of goods that do not have custom registration evidencing entry of the goods into Argentina due to a delayed registration by the importer.

Prior to authorizing payments for imports of goods, the intervening financial entity must, in addition to requesting the client's affidavit, verify that such statement is compatible with the existing data in the relevant online Central Bank of Argentina's databases.

SIMIs may only be registered within the Economic and Financial Coefficient ("CEF", as per its acronym in Spanish) assigned to the importer by the Argentine federal tax authority.

Payment of services provided by non-residents

Pursuant to section 3.2 of the Argentine FX Regulations, residents may access the MLC for payment of services rendered by non-residents (except for intercompany services), as long as it is verified that the operation has been declared, if applicable, in the last overdue presentation of the External Assets and Liabilities Reporting. Access to the MLC for payment of intercompany imports of services is subject to prior approval by the Central Bank of Argentina.

Alternatively, as of January 3, 2022, if new financial indebtedness is settled through the MLC and such indebtedness is (x) entered into with a third party, (y) has an average life of not less than 2 years, and (y) has no principal maturities until at least 3 months from settlement, then access to the MLC will be granted to repay intercompany services upon maturity and for services rendered at least 180 calendar days prior to requiring access to the MLC or for services arising from a contract executed 180 calendar days prior to requiring access. This mechanism can only be used for up to U.S.$10 million. Access to the MLC for the prepayment of debts for services requires prior authorization by the Central Bank of Argentina.

Other Specific Provisions

Additional requirements on outflows through the MLC

As a general rule, and in addition to any rules regarding the specific purpose for access, certain general requirements must be met by a local company to access the MLC for the purchase of foreign currency or its transfer abroad (i.e., payments of imports and other purchases of goods abroad; payment of services rendered by non-residents; remittances of profits and dividends; payment of principal and interest on external indebtedness; payments of interest on debts for the import of goods and services, among others), without the need for prior approval by the Central Bank of Argentina. These include the following:

(i) during the 90 days preceding the date of such access, the local company must not have:

(a) sold securities in Argentina issued by residents for foreign currency, transferred such securities to a foreign depositary, exchanged such securities for other foreign assets, or, as of October 29, 2021, purchased foreign securities issued by non-residents with *pesos* in Argentina; or

(b) delivered Argentine *pesos* or other local liquid assets (e.g., Argentine sovereign bonds) to any individual or legal entity having a direct controlling interest in it, unless: (i) such delivery resulted from regular purchases of goods or services executed in its ordinary course of business, or (ii) it provides an affidavit from each such controlling individual or legal entity pursuant to which such persons declare they comply with the restrictions set forth in (i)(a) above, and undertake to comply with (ii)(d) below;

(ii) on the date of such access, the local company must:

(a) not have any available foreign liquid assets in excess of U.S.$100,000, Communication "A" 7030 of the Central Bank of Argentina contains a non-exhaustive list of assets that qualify as "foreign liquid assets" for purposes thereof, which include foreign currency bills and coins, gold bars, sight deposits with foreign banks and, generally, any investment that allows for immediate availability of foreign currency (e.g., foreign bonds and securities, investment accounts with foreign investment managers, crypto-assets, cash held with payment service providers, etc.);

(b) deposit all its local holdings of foreign currency in accounts held with local financial institutions;

(c) undertake to settle through the MLC within 5 business days from the date of receipt of any funds originating from abroad as a result of the repayment of loans, the release of term-deposits or the sale of any type of asset, to the extent the asset was originally acquired, the deposit made or the loan granted, as applicable, after May 28, 2020;

(d) during the 90 days following such access to the MLC, undertake to not sell securities issued by residents in Argentina for foreign currency, transfer such securities to foreign depositaries, exchange such securities for other foreign assets, or purchase foreign securities with *pesos* in Argentina; and

(e) not be included in the list of "issuers of fake invoices and similar documents" kept by the Argentine tax authority.

Access to the MLC by non-residents

In accordance with section 3.13 of the Argentine FX Regulations, prior approval by the Central Bank of Argentina will be required for access to the foreign exchange market by non-residents for the purchase of foreign currency, except for the following operations: (a) International organizations and institutions that perform functions of official export credit agencies, (b) diplomatic representations and consular and diplomatic personnel accredited in the country for transfers made in the exercise of their functions, (c) Representatives in the country of Courts, Authorities or Offices, Special Missions, Commissions or Bilateral Bodies established by Treaties or International Agreements, of which Argentina is part, to the extent that transfers are made in the exercise of their functions, (d) foreign transfers in the name of individuals who are beneficiaries of retirement and / or pensions paid by the Argentine National Social Security Administration (known by its acronym in Spanish as ANSES), for up to the amount paid by said agency in the calendar month and to the extent that the transfer is made to a bank account owned by the beneficiary in his or her registered country of residence, (e) purchase of foreign currency (in cash) by non-resident individuals for tourism and travel expenses, up to a maximum amount of U$S100 dollars, to the extent the financial entity can verify that the client has settled an amount equal or higher than the sum to be purchased within 90 days prior to the operation, (f) transfers to offshore bank accounts by individuals that are beneficiaries of pensions granted by the national government pursuant to Laws No. 24,043, 24,411 and 25,914, as supplemented, and (g) for repatriation of investments (capital reductions or other form of divestment) in companies that are not controlled by local financial institutions that are made and settled through the MLC after October 2, 2020, access will be granted 2 years after the settlement date.

Exchanges and arbitrage. Transactions involving securities

Pursuant to sections 2.7 and 3.14 of the Argentine FX Regulations, entities are allowed to carry out exchange and arbitrage operations with their clients in the following cases: (i) such operation is not subject to the settlement obligation in the MLC; (ii) an individual transfers funds from their local accounts (which are already held in foreign currency) to its own bank accounts outside Argentina, (iii) when foreign currency transfers by local central collective deposit securities for funds received in foreign currency for capital services and income from National Treasury securities, (iv) arbitration operations that do not entail transfers abroad, provided that such funds are debited in an account of a local entity from an account of the client in a foreign currency, (v) transfers abroad by individuals of foreign currency from their local accounts in foreign currency to remittance accounts abroad for up to the equivalent of U.S.$500 in the calendar month and in the group of entities, and (vi) if structured as separate transactions, these would have access to the MLC without the need of an authorization by the Central Bank of Argentina.

Securities-related Operations

Pursuant to General Resolution No. 895/2021 of the Argentine Securities Commission (known by its acronym in Spanish as CNV), sales of securities with settlement in foreign currency and in a foreign jurisdiction may be carried out, provided that a minimum holding period of 2 business days is observed from the date such securities are credited with the relevant depositary. With respect to sales of securities with settlement in foreign currency carried out locally, the minimum holding period will be of 1 business day as from the date on which such securities were credited with the relevant depositary. These minimum holding periods shall not be applicable in the case of purchases of securities with settlement in foreign currency.

In addition, transfers of securities to foreign depositaries purchased with Argentine *pesos* shall comply with a minimum holding period of at least 2 business days counting as from the date of deposit of such securities, unless such crediting results from a primary placement of securities issued by the National Treasury or refers to shares and/or Argentine deposit certificates (CEDEARs) traded on markets regulated by the CNV. Brokers and trading agents must verify compliance with the aforementioned minimum holding period of the securities.

With respect to incoming transfers, General Resolution No. 895/2021 of the CNV establishes that securities transferred by foreign depositaries and credited with a central depositary agent may not be allocated to the settlement of transactions in foreign currency and in a foreign jurisdiction until 2 business days after such crediting into sub-account(s) in the local custodian. If such securities are allocated to the settlement of transactions in foreign currency and in local jurisdiction, the minimum holding period will be 1 business day after such crediting into sub-account(s) in the local custodian.

Foreign Exchange Criminal Regime

Foreign exchange regulations are characterized as "public policy" rules in Argentina. Failure to comply with such provisions could result in penalties pursuant to the Foreign Exchange Criminal Law No. 19,359.

Notwithstanding the above mentioned measures adopted by the current administration, the Central Bank of Argentina and the federal government may impose additional exchange controls in the future that may further impact our ability to transfer funds abroad and may prevent or delay payments that our Argentine subsidiaries are required to make outside Argentina.

Mexico

Exchange Rates

The Mexican *peso* appreciated 3.7% in 2019, depreciated 5.2% in 2020, depreciated 3.1% in 2021 and appreciated 3.2% in the first quarter of 2022. As of April 27, 2022, the free-market exchange rate for the purchase of U.S. dollars was Ps.20.43 per U.S. dollar.

Exchange Controls

For the last few years, the Mexican government has maintained a policy of non-intervention in the foreign exchange markets, other than conducting periodic auctions for the purchase of U.S. dollars, and has not had in effect any exchange controls (although these controls have existed and have been in effect in the past). We cannot assure you that the Mexican government will maintain its current policies with regard to the Mexican *peso* or that the Mexican *peso* will not further depreciate or appreciate significantly in the future.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. As a result, the market price of our class A shares could decline, and you could lose all or part of your investment. This annual report also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our company or investments in Latin America and the Caribbean described below and elsewhere in this annual report.

Summary of Risk Factors

An investment in our Company is subject to a number of risks, including risks related to our business, results of operations and Financial Conditions, risks related to our liquidity and indebtedness and risks related to our industry. The following summarizes some, but not all, of these risks. Please carefully consider all of the information discussed in "Item 3. Key Information—D. Risk Factors" in this annual report for a more thorough description of these and other risks.

Risks Related to Our Business and Operations

- Our rights to operate and franchise McDonald's-branded restaurants are dependent on the MFAs, the expiration of which would adversely affect our business, results of operations, financial condition and prospects.
- Our business depends on our relationship with McDonald's and changes in this relationship may adversely affect our business, results of operations and financial condition.
- McDonald's has the right to acquire all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may acquire our non-public shares or our interests in one or more Territories at 80% of their fair market value.
- The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affect our business, results of operations and cash flows.
- The failure to successfully manage our future growth may adversely affect our results of operations.
- From time to time, we depend on oral agreements with third-party suppliers and distributors for the provision of products and services that are necessary for our operations.
- Our financial condition and results of operations depend, to a certain extent, on the financial condition of our sub-franchisees and their ability to fulfill their obligations under their franchise agreements.
- We do not have full operational control over the businesses of our sub-franchisees.
- Ownership and leasing of a broad portfolio of real estate exposes us to potential losses and liabilities.
- The success of our business is dependent on the effectiveness of our marketing strategy.
- The inability to attract and retain qualified personnel may affect our growth and results of operations.
- The resignation, termination, permanent incapacity or death of our Executive Chairman could adversely affect our business, results of operations, financial condition and prospects.
- Labor shortages or increased labor costs could harm our results of operations.
- A failure by McDonald's to protect its intellectual property rights, including its brand image, could harm our results of operations.

Risks Related to Our Results of Operations and Financial Condition

- We may use non-committed lines of credit to partially finance our working capital needs.
- Covenants and events of default in the agreements governing our outstanding indebtedness could limit our ability to undertake certain types of transactions and adversely affect our liquidity.
- Fluctuation in market interest rates could affect our ability to refinance our indebtedness or results of operations.
- Inflation and government measures to curb inflation may adversely affect the economies in the countries where we operate, our business and results of operations.
- Exchange rate fluctuations against the U.S. dollar in the countries in which we operate have negatively affected, and could continue to negatively affect, our results of operations.
- Price controls and other similar regulations in certain countries have affected, and may in the future affect, our results of operations.
- We are subject to significant foreign currency exchange controls and currency devaluation in certain countries in which we operate.

Risks Related to Government Regulation

- If we fail to comply with, or if we become subject to, more onerous government regulations, our business could be adversely affected.
- We could be subject to expropriation or nationalization of our assets and government interference with our business in certain countries in which we operate.
- Non-compliance with anti-terrorism and anti-corruption regulations could harm our reputation and have an adverse effect on our business, results of operations and financial condition.
- Any tax increase or change in tax legislation may adversely affect our results of operations.
- Tax, customs or other inspections and investigations in any of the jurisdictions in which we operate may negatively affect our business and results of operations.
- Litigation and other pressure tactics could expose our business to financial and reputational risk.
- Information technology system failures or interruptions or breaches of our network security may interrupt our operations, exposing us to increased operating costs and to litigation.
- Our insurance may not be sufficient to cover certain losses.

Risks Related to Our Industry

- The food services industry is intensely competitive and we may not be able to continue to compete successfully.
- Increases in commodity prices, logistic or other operating costs could harm our operating results.
- Demand for our products may decrease due to changes in consumer preferences or other factors.
- Our investments to enhance the customer experience, including through technology, may not generate the expected returns.
- Our business activity may be negatively affected by disruptions, catastrophic events, climate change or health pandemics.
- Restrictions on promotions and advertisements directed at families with children and regulations regarding the nutritional content of children's meals may harm McDonald's brand image and our results of operations.
- We are subject to increasingly strict data protection laws, which could increase our costs and adversely affect our business.
- Environmental laws and regulations may affect our business.
- Our business is subject to an increasing focus on environmental, social, and governance ("ESG") matters.
- We may be adversely affected by legal actions with respect to our business.
- Unfavorable publicity or a failure to respond effectively to adverse publicity, particularly on social media platforms, could harm our reputation and adversely impact our business and financial performance.

Risks Related to Our Business and Operations in Latin America and the Caribbean

- Our business is subject to the risks generally associated with international business operations.
- Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect business, results, financial conditions and prospects.
- Changes in governmental policies in the Territories could adversely affect our business, results of operations, financial condition and prospects.
- Latin America has experienced, and may continue to experience, adverse economic conditions that have impacted, and may continue to impact, our business, financial condition and results of operations.

Risks Related to Our Class A Shares

- Mr. Woods Staton, our Executive Chairman, controls all matters submitted to a shareholder vote, which will limit your ability to influence corporate activities and may adversely affect the market price of our class A shares.
- Sales of substantial amounts of our class A shares in the public market, or the perception that these sales may occur, could cause the market price of our class A shares to decline.
- As a foreign private issuer, we are permitted to, and we will, rely on exemptions from certain NYSE corporate governance standards applicable to U.S. issuers, including the requirement that a majority of an issuer's directors consist of independent directors. This may afford less protection to holders of our class A shares.

Risks Related to Investing in a British Virgin Islands Company

- We are a British Virgin Islands company and it may be difficult for you to obtain or enforce judgments against us or our executive officers and directors in the United States.
- You may have more difficulty protecting your interests than you would as a shareholder of a U.S. corporation.
- You may not be able to participate in future equity offerings, and you may not receive any value for rights that we may grant.

Risks Related to Our Business and Operations

Our rights to operate and franchise McDonald's-branded restaurants are dependent on the MFAs, the expiration of which would adversely affect our business, results of operations, financial condition and prospects.

Our rights to operate and franchise McDonald's-branded restaurants in the Territories, and therefore our ability to conduct our business, derive exclusively from the rights granted to us by McDonald's in two MFAs through August 2, 2027. As a result, our ability to continue operating in our current capacity is dependent on the renewal of our contractual relationship with McDonald's.

McDonald's has the right, in its reasonable business judgment based on our satisfaction of certain criteria set forth in the MFAs, to grant us an option to extend the term of the MFAs with respect to all Territories for an additional period of 10 years after the expiration in 2027 of the initial term of the MFAs upon such terms as McDonald's may determine. Pursuant to the MFAs, McDonald's will determine whether to grant us the option to renew between August 2020 and August 2024. If McDonald's grants us the option to renew and we elect to exercise the option, then we and McDonald's will amend the MFAs to reflect the terms of such renewal option, as appropriate. We cannot assure you that McDonald's will grant us an option to extend the term of the MFAs or that the terms of any renewal option will be acceptable to us, will be similar to those contained in the MFAs or will not be less favorable to us than those contained in the MFAs.

If McDonald's elects not to grant us the renewal option or we elect not to exercise the renewal option, we will have a three-year period in which to solicit offers for our business, which offers would be subject to McDonald's approval. Upon the expiration of the MFAs, McDonald's has the option to acquire all of our non-public shares and all of the equity interests of our wholly owned subsidiary Arcos Dourados Comercio de Alimentos S.A., the master franchisee of McDonald's for Brazil, at their fair market value.

In the event McDonald's does not exercise its option to acquire LatAm, LLC and Arcos Dourados Comercio de Alimentos S.A., the MFAs would expire and we would be required to cease operating McDonald's-branded restaurants, identifying our business with McDonald's and using any of McDonald's intellectual property. Although we would retain our real estate and infrastructure, the MFAs prohibit us from engaging in certain competitive businesses, including Burger King, Subway, KFC or any other quick-service restaurant ("QSR"), business, or duplicating the McDonald's system at another restaurant or business during the two-year period following the expiration of the MFAs. As the McDonald's brand and our relationship with McDonald's are among our primary competitive strengths, the expiration of the MFAs for any of the reasons described above would materially and adversely affect our business, results of operations, financial condition and prospects.

Our business depends on our relationship with McDonald's and changes in this relationship may adversely affect our business, results of operations and financial condition.

Our rights to operate and franchise McDonald's-branded restaurants in the Territories, and therefore our ability to conduct our business, derive exclusively from the rights granted to us by McDonald's in the MFAs. As a result, our revenues are dependent on the continued existence of our contractual relationship with McDonald's.

Pursuant to the MFAs, McDonald's has the ability to exercise substantial influence over the conduct of our business. For example, under the MFAs, we are not permitted to operate any other QSR chains, we must comply with McDonald's high quality standards, we must own and operate at least 50% of all McDonald's-branded restaurants in each of the Territories, we must maintain certain guarantees in favor of McDonald's, including a standby letter of credit (or other similar financial guarantee acceptable to McDonald's) in an amount of $80.0 million, to secure our payment obligations under the MFAs and related credit documents, we cannot incur debt above certain financial ratios, we cannot transfer the equity interests of our subsidiaries, any significant portion of their assets or certain of the real estate properties that we own without McDonald's consent, and McDonald's has the right to approve the appointment of our chief executive officer and chief operating officer. In addition, the MFAs require us to reinvest a significant amount of money, including through reimaging our existing restaurants, opening new restaurants and advertising, which McDonald's has the right to approve.

However, McDonald's does not have an obligation to fund our operations. Furthermore, McDonald's does not guarantee any of our financial obligations, including trade payables or outstanding indebtedness, and has no obligation to do so.

In addition to using our cash flow from operations, we may need to incur additional indebtedness in order to finance future commitments, which could adversely affect our financial condition. Moreover, we may not be able to obtain this additional indebtedness on favorable terms, or at all. Failure to comply with our future commitments could constitute a material breach of the MFAs and may lead to a termination by McDonald's of the MFAs.

If the terms of the MFAs excessively restrict our ability to operate our business or if we are unable to satisfy our restaurant opening and reinvestment commitments under the MFAs, our business, results of operations and financial condition would be materially and adversely affected.

McDonald's has the right to acquire all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may acquire our non-public shares or our interests in one or more Territories at 80% of their fair market value.

Pursuant to the MFAs, McDonald's has the right to acquire our non-public shares or our interests in one or more Territories upon the occurrence of certain events, including the death or permanent incapacity of our controlling shareholder or a material breach of the MFAs. In the event McDonald's were to exercise its right to acquire all of our non-public shares, McDonald's would become our controlling shareholder.

McDonald's has the option to acquire all, but not less than all, of our non-public shares at 100% of their fair market value during the twelve-month period following the eighteen-month anniversary of the death or permanent incapacity of Mr. Woods Staton, our Executive Chairman and controlling shareholder. In addition, if there is a material breach that relates to one or more Territories in which there are at least 100 restaurants in operation, McDonald's has the right either to acquire all of our non-public shares or our interests in our subsidiaries in such Territory or Territories. By contrast, if the initial material breach of the MFAs affects or is attributable to any of the Territories in which there are less than 100 restaurants in operation, McDonald's only has the right to acquire the equity interests of any of our subsidiaries in the relevant Territory. For example, since we have more than 100 restaurants in Mexico, if a Mexican subsidiary were to materially breach the MFA, McDonald's would have the right either to acquire our entire business throughout Latin America and the Caribbean or just our Mexican operations, whereas upon a similar breach by our Ecuadorean subsidiary, which has less than 100 restaurants in operation, McDonald's would only have the right to acquire our interests in our operations in Ecuador.

McDonald's was granted a perfected security interest in the equity interests of LatAm, LLC, Arcos Dourados Comercio de Alimentos S.A. and certain of their subsidiaries to protect this right. In the event this right is exercised as a result of a material breach of the MFAs, the amount to be paid by McDonald's would be equal to 80% of the fair market value of the acquired equity interests. If McDonald's exercises its right to acquire our interests in one or more Territories as a result of a material breach, our business, results of operations and financial condition would be materially and adversely affected. See "Item 10. Additional Information—C. Material Contracts—The MFAs—Termination" for more details about fair market value calculation.

The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affect our business, results of operations and cash flows

In March 2020, the COVID-19 virus began to spread in Latin America and the Caribbean, operations in all our markets were significantly disrupted. Governments at the local, state and/or federal level in all countries in which we operate implemented measures intended to stem the spread of COVID-19. In order to comply with these government measures, some of our markets closed all restaurants for a period of time, especially from the end of March through the middle of April 2020. During that period, the peak percentage of restaurants that were temporarily fully-closed reached approximately 50% of our entire restaurant footprint. Beginning in April 2020 and through the end of the year, we steadily began reopening restaurants and were able to resume operating at least one sales channel, such as drive-thru, delivery and/or take out, in nearly all of our restaurants, as well as the vast majority of our dessert centers.

In order to mitigate the impact on our business, results of operations, financial condition and outlook during 2020 and part of 2021, we implemented several cash preservation measures including, but not limited to, reducing costs and expenses, limiting capital expenditures and renegotiating terms and conditions with lessors and other suppliers of goods and services. We expect to maintain some of these cash preservation measures until the operating environment normalizes. For instance, in line with our commitment to provide different sources of return to shareholders while maintaining the above mentioned cash preservation measures, on June 30, 2021, the Board of Directors authorized a distribution of Class A shares for 2021 from the

treasury shares held by the Company, which was distributed in July 2021. Furthermore, McDonald's granted us a deferral of all royalty payments due, related to sales in March, April, May, June and July 2020 and extended the payment deadline until the first half of 2021. We paid all deferred royalties due by early May 2021. Also, in connection with the COVID-19 pandemic, we agreed with McDonald's to reduce the advertising and promotion spending requirement from 5% to 4% of our gross sales for the full year 2020. Beginning on January 1, 2021, we resumed spending 5% of our gross sales on advertising and promotion. As part of the approved plan for 2021, McDonald's agreed to provide us with growth support, which resulted in a consolidated effective royalty rate of 5.2% in 2021. Additionally, McDonald's granted us limited waivers from June 30, 2020 through and including December 31, 2021 of the MFAs' requirement to maintain a minimum fixed charge coverage ratio equal to or greater than 1.50 and a maximum leverage ratio of 4.25. We were not in compliance with these requirements from June 30, 2020 through June 30, 2021. As of September 30, 2021, however, we were once again in compliance with the fixed charge coverage ratio and, as of December 31, 2021, we were in compliance with both required ratios. Finally, in December 2020, we agreed with McDonald's to withdraw the previously-approved 2020-2022 growth and investment plan and instead implement a plan for 2021 only. In January 2022, we reached an agreement with McDonald's on a new growth and investment plan. To support our future growth, we plan to open at least 200 new restaurants and to modernize at least 400 restaurants, with capital expenditures of approximately $650 million from 2022 to 2024. In addition, McDonald's Corporation agreed to continue providing growth support subject to our compliance with the terms of the growth and investment plan subject to our compliance with the terms of the growth and investment plan, which is expected to result in an effective royalty rate of about 5.6% of sales in 2022 and 6.0% of sales in 2023 and 2024. However, McDonald's has no obligation to fund our operations. For more information on the McDonald's MFA requirements, see "Item 10. Additional Information—C. Material Contracts—The MFAs."

We currently have certain letters of credit in place in favor of McDonald's that guarantee our obligations under the MFAs. The letters of credit were issued by Credit Suisse amounting to $45 million, Itaú Unibanco S.A. ("Itaú") amounting to $15 million and JPMorgan Chase Bank N.A. ("JPMorgan") amounting to $20 million. These letters of credit contain a limited number of customary affirmative and negative covenants, including a maximum indebtedness to EBITDA ratio of 4.0 for Credit Suisse and 4.5 for Itaú and JPMorgan. We received waivers from our lenders for any event of default which may have occurred related to compliance with these financial ratio covenants in our letters of credit, which are measured at the end of each quarter, through and including the first quarter of 2021 for Itaú and JPMorgan and December 31, 2021 for Credit Suisse. Although we were in compliance with these ratios as of December 31, 2021 and we do not have any outstanding borrowings under these letters of credit at this time, certain of our lenders may terminate these letters of credit if we do not meet certain ratios thereunder in the future or if we are in default under our other indebtedness, among other reasons. If our lenders terminate our letters of credit, we would be in breach of our obligations under the MFAs, if we cannot replace the instrument or use cash as collateral.

Regarding our liquidity, at the beginning of the COVID-19 pandemic, we drew on our revolving credit facilities and short-term lines of credit to stabilize our cash flow and had to obtain waivers for our compliance with financial ratio covenants from our lenders for certain periods. As of December 31, 2021, we had zero balances drawn on our short-term credit lines and were in compliance with the financial ratio covenants under our current revolving credit facility. Should the COVID-19 pandemic worsen, we may need to draw on our available revolving credit facility and short-term credit lines in the future if we are unable to find alternative sources of funding.

Moreover, we benefited from some government measures enacted in Latin America and the Caribbean to help companies deal with the economic fallout of the COVID-19 pandemic, including modification of existing regulations to reduce workdays or tax costs, tax payment deferral or tax credit and subsidies related to labor costs, among others. All subsidies granted were recognized on a systematic basis over the periods in which the related expenses were recorded, within "payroll and employee benefits" or "General and administrative expenses" in our consolidated statement of income (loss). We meet all the terms and conditions required by the governments to maintain the benefits granted. Although as of December 31, 2021, some of the government measures remained in force, we cannot predict the extent or duration of current or forthcoming programs. The end of government support and a sustained growth of unemployment and under-employment will result in a decline in consumption that could negatively impact our sales.

In order to help our sub-franchisees mitigate the negative impacts of the COVID-19 pandemic, we deferred a portion of franchisee rent payments in the six markets in which we have franchised restaurants. In addition, our sub-franchisees also benefited from the deferral of royalty payments due, related to sales for March, April, May, June and July 2020, as well as the reduction of the marketing and promotion spending requirement from 5% to 4% of their gross sales for the full year 2020, granted by McDonald's. As of December 31, 2021, substantially all deferred payments due from sub-franchisees were collected by the Company and/or paid directly to McDonald's.

Although the global economy has begun to recover from the COVID-19 pandemic and many health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic, especially as a result of the emergence of the Omicron variant in late 2021, continue to impact the macroeconomic environment and may persist for some time. For instance, at different times in 2021, additional periods of government-imposed operating restrictions were implemented to curve new waves of infection that affected some of the markets in which we operate. Additionally, other adverse consequences of the ongoing COVID-19 pandemic include labor shortages and disruptions of global supply chains. While our supply chain has not been materially disrupted by the pandemic to date, should these ongoing effects of the COVID-19 pandemic continue for an extended period or worsen, it may lead to disruptions for our suppliers which would in turn disrupt our supply chain and operations. Additionally, should the COVID-19 pandemic worsen our business, financial results, conditions, outlook and ability to repay our financial obligations could be materially impacted. Moreover, if volatility in the financial markets continues, our cost of capital could increase and may make it more difficult for us to obtain additional financing if needed.

The extent to which the consequences of the COVID-19 pandemic affect our businesses, results of operations and cash flows, will depend on future developments that remain uncertain, including, for example, the rate of distribution and administration of vaccines in the regions in which we operate, the severity and duration of any new waves of COVID-19 variants, future actions taken by governmental authorities and other third parties in response to the pandemic, and the effects on our customers, employees and third-party service providers.

The failure to successfully manage our future growth may adversely affect our results of operations.

Our business has grown significantly since the Acquisition, largely due to the opening of new restaurants in existing and new markets within the Territories, and also from an increase in comparable store sales. Our total number of restaurant locations has increased from 1,569 at the date of the Acquisition to 2,261 restaurants as of December 31, 2021.

Our growth is, to a certain extent, dependent on new restaurant openings and therefore may not be constant from period to period; it may accelerate or decelerate in response to certain factors. There are many obstacles to opening new restaurants, including determining the availability of desirable locations, securing reliable suppliers, hiring and training new personnel and negotiating acceptable lease terms, and, in times of adverse economic conditions, sub-franchisees may be more reluctant to provide the investment required to open new restaurants. In addition, our growth in comparable store sales is dependent on continued economic growth in the countries in which we operate as well as our ability to continue to predict and satisfy changing consumer preferences and to manage through other external pressures, including global pandemics such as the coronavirus (COVID-19) pandemic. See "—The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affect our business, results of operations and cash flows."

We plan our capital expenditures on an annual basis, taking into account historical information, regional economic trends, restaurant opening and reimaging plans, site availability and the investment requirements of the MFAs in order to maximize our returns on invested capital. The success of our investment plan may, however, be harmed by factors outside our control, such as changes in macroeconomic conditions, including as a result of the COVID-19 outbreak, changes in demand and construction difficulties that could jeopardize our investment returns and our future results and financial condition.

From time to time, we depend on oral agreements with third-party suppliers and distributors for the provision of products and services that are necessary for our operations.

Supply chain management is an important element of our success and a crucial factor in optimizing our profitability. We use McDonald's centralized supply chain management model, which relies on approved third-party suppliers and distributors for goods, and we generally use several suppliers to satisfy our needs for goods. This system encompasses selecting and developing suppliers of both core products (beef, chicken, buns, potatoes, produce, sauces, cheese, dairy mixes and beverages) and non-core products (dressings, pork, condiments, confectionery, and toppings) who are able to comply with McDonald's high quality standards and establishing sustainable relationships with these suppliers.

McDonald's standards include the highest expectations with respect to our suppliers' food safety and quality management systems, product consistency and timeliness, as well as commitments to follow internationally recognized manufacturing and management schemes and practices to meet or exceed all local food regulations and to comply with our policies, procedures and guidelines.

The ability of McDonald's suppliers to deliver safe and high quality products that consistently meet our requirements, as well as all applicable laws and regulations is of critical importance to the continued success of the McDonald's system. McDonald's is recognized as a leader in food safety by its suppliers and the public health community.

Our 35 largest suppliers account for approximately 75% of our purchases excluding Venezuela. Very few of our suppliers have entered into written contracts with us as we only have pricing protocols or agreements with a vast majority of them. Our supplier approval process is thorough and lengthy in order to ensure compliance with McDonald's high quality standards. We therefore tend to develop strong relationships with approved suppliers and, given our importance to them, have found that pricing protocols with them are generally enough to ensure a reliable supply of quality products. While we source our goods from many approved suppliers in Latin America and the Caribbean, thereby reducing our dependence on any single supplier, the informal nature of the majority of our relationships with suppliers means that we may not be assured of long-term or reliable supplies of products from those suppliers.

In addition, certain goods, such as beef, dairy products, confectionery or produce, are often locally sourced due to restrictions on their importation. In light of these restrictions, as well as the MFAs' requirement to purchase certain core supplies from approved suppliers, we may not be able to quickly find alternate or additional supplies in the event a supplier is unable to meet our orders.

If our suppliers fail to provide us with products in a timely manner due to unanticipated demand, production or distribution problems, financial distress or shortages, if our suppliers decide to terminate their relationship with us or if McDonald's determines that any product or service offered by an approved supplier is not in compliance with its standards and we are obligated to terminate our relationship with such supplier, we may have difficulty finding appropriate or compliant replacement suppliers. As a result, we may face inventory shortages that could negatively affect our operations.

Our financial condition and results of operations depend, to a certain extent, on the financial condition of our sub-franchisees and their ability to fulfill their obligations under their franchise agreements.

As of December 31, 2021, 30.2% of our restaurants were franchised. Under our franchise agreements, we receive monthly payments which are, in most cases, the greater of a fixed rent or a certain percentage of the sub-franchisee's gross sales. Sub-franchisees are independent operators with whom we have franchise agreements. We typically own or lease the real estate upon which sub-franchisees' restaurants are located and sub-franchisees are required to follow our operating manual that specifies items such as menu choices, permitted advertising, equipment, food handling procedures, product quality and approved suppliers. Our operating results depend to a certain extent on the restaurant profitability and financial viability of our sub-franchisees. The concurrent failure by a significant number of sub-franchisees to meet their financial obligations to us could jeopardize our ability to meet our obligations. As a result of the COVID-19 pandemic, we expect some of our sub-franchisees to have difficulty meeting their financial obligations to us. As of the date hereof, sub-franchisees have already resumed making rent payments to us in almost all of the six markets where we have sub-franchisees. See "—The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affect our business, results of operations and cash flows."

We are liable for our sub-franchisees' monthly payment of a continuing franchise fee to McDonald's, which represents a percentage of those franchised restaurants' gross sales. To the extent that our sub-franchisees fail to pay this fee in full, we are responsible for any shortfall under the MFAs. As such, the concurrent failure by a significant number of sub-franchisees to pay their continuing franchise fees could have a material adverse effect on our results of operations and financial condition.

We do not have full operational control over the businesses of our sub-franchisees.

We are dependent on sub-franchisees to maintain McDonald's quality, service and cleanliness standards, and their failure to do so could materially affect the McDonald's brand and harm our future growth. Although we exercise significant influence over sub-franchisees through the franchise agreements, sub-franchisees have some flexibility in their operations, including the ability to set prices for our products in their restaurants, hire employees and select certain service providers. In addition, it is possible that some sub-franchisees may not operate their restaurants in accordance with our quality, service, cleanliness, health or product standards. Although we take corrective measures if sub-franchisees fail to maintain McDonald's quality, service and cleanliness standards, we may not be able to identify and rectify problems with sufficient speed and, as a result, our image and operating results may be negatively affected.

Ownership and leasing of a broad portfolio of real estate exposes us to potential losses and liabilities.

As of December 31, 2021, we owned the land for 490 of our 2,261 restaurants and the buildings for all but 8 of our restaurants. The value of these assets could decrease or rental costs could increase due to changes in local demographics, the investment climate and increases in taxes.

The majority of our restaurant locations, or those operated by our sub-franchisees, are subject to long-term leases. We may not be able to renew leases on acceptable terms or at all, in which case we would have to find new locations to lease or be forced to close the restaurants. If we are able to negotiate a new lease at an existing location, we may be subject to a rent increase. In addition, current restaurant locations may become unattractive due to changes in neighborhood demographics or economic conditions, which may result in reduced sales at these locations.

The success of our business is dependent on the effectiveness of our marketing strategy.

Market awareness is essential to our continued growth and financial success. Pursuant to the MFAs, we create, develop and coordinate marketing plans and promotional activities throughout the Territories, and sub-franchisees contribute a percentage of their gross sales to our marketing plan. In addition, we are required under the MFAs to spend at least 5% of our sales on advertising and promotional activities in the majority of our markets. In connection with the COVID-19 pandemic, we agreed with McDonald's to reduce this spending requirement from 5% to 4% of our gross sales for the full year 2020. Beginning on January 1, 2021, we resumed spending 5% of our gross sales on advertising and promotion. Pursuant to the MFAs, McDonald's has the right to review and approve our marketing plans in advance and may request that we cease using the materials or promotional activities at any time if McDonald's determines that they are detrimental to its brand image. We also participate in global and regional marketing activities undertaken by McDonald's and pay McDonald's approximately 0.1% of our sales in order to fund such activities.

If our advertising programs are not effective, or if our competitors begin spending significantly more on advertising than we do, or if our competitors develop attractive new products or innovative advertising techniques, we may be unable to attract new customers or existing customers may not return to our restaurants and our operating results may be negatively affected.

The inability to attract and retain qualified personnel may affect our growth and results of operations.

We have a strong management team with broad experience in human resources, product development, supply chain management, operations, finance, ESG, marketing, real estate development, communications, information technology, legal and training. Our growth plans place substantial demands on our management team, and future growth could increase those demands. In addition, pursuant to the MFAs, McDonald's is entitled to approve the appointment of our chief executive officer and chief operating officer. Our ability to manage future growth will depend on the adequacy of our resources and our ability to continue to identify, attract and retain qualified personnel. Failure to do so could have a material adverse effect on our business, financial condition and results of operations.

Also, the success of our operations depends in part on our ability to attract and retain qualified regional and restaurant managers and general staff. If we are unable to recruit and retain our employees, or fail to motivate them to provide quality food and service, our image, operations and growth could be adversely affected.

The resignation, termination, permanent incapacity or death of our Executive Chairman could adversely affect our business, results of operations, financial condition and prospects.

Due to Mr. Woods Staton's unique experience and leadership capabilities, it would be difficult to find a suitable successor for him if he were to cease serving as Executive Chairman for any reason. In the event of Mr. Woods Staton's death or permanent incapacity, pursuant to the MFA, McDonald's has the right to acquire all of our non-public shares during the twelve-month period beginning on the eighteen-month anniversary of his death or incapacity.

In addition, in the event that we need to appoint a new CEO, pursuant to the MFA, we must submit to McDonald's the name of such proposed successor for approval. If we and McDonald's have not agreed upon a successor CEO after six months, McDonald's may designate a temporary CEO in its sole discretion pending our submission of information relating to a further candidate and McDonald's approval of that candidate. A delay in finding a suitable successor CEO could adversely affect our business, results of operations, financial condition and prospects.

Labor shortages or increased labor costs could harm our results of operations.

Our operations depend in part on our ability to attract and retain qualified restaurant managers and crew. While the turnover rate varies significantly among categories of employees, due to the nature of our business, we traditionally experience a high rate of turnover among our crew and we may not be able to replace departing crew with equally qualified or motivated staff.

As of December 31, 2021, we had 81,256 employees in our Company-operated restaurants and staff. Controlling labor costs is critical to our results of operations, and we closely monitor those costs. Some of our employees are paid minimum wages; any increases in minimum wages or changes to labor regulations in the Territories could increase our labor costs. For example, during 2021, the government of Venezuela implemented two increases in the minimum wage in March and May 2021. In addition, in December 2019, the government of Argentina enacted a decree establishing that employees dismissed without cause were entitled to double indemnification from employers for the next six months following such dismissal, in an effort to mitigate the impact of economic difficulties facing the country at the time. Subsequently, the government of Argentina extended and amended the decree and its provisions to extend its protections until June 30, 2022 on a decreasing scale and with a cap of ARS$500,000. In Puerto Rico, new minimum wage regulations were adopted in 2021 and increases are expected to take effect in July 2023 and July 2024. These or similar regulations, if adopted, may have an adverse impact on our results of operations. Additionally, competition for employees could also result in additional incurred costs to pay for higher wages.

We are also impacted by the costs and other effects of compliance with regulations affecting our workforce. These regulations are increasingly focused on employment issues, including wage and hour, healthcare, employee safety and other employee benefits and workplace practices. Claims of non-compliance with these regulations could result in liability and expense to us. Our potential exposure to reputational and other harm regarding our workplace practices or conditions or those of our sub-franchisees or suppliers, including those giving rise to claims of sexual harassment or discrimination (or perceptions thereof) could have a negative impact on consumer perceptions of us and our business. In 2019, two of our restaurant employees in Peru died in a workplace accident at one of our restaurants. This accident is under investigation by Peruvian authorities, and while we do not expect a material impact from this event, any future workplace accidents could have a material adverse effect on our business, financial condition and results of operations.

Some of our employees are represented by unions and are working under agreements that are subject to annual salary negotiations. We cannot guarantee the results of any such collective bargaining negotiations or whether any such negotiations will result in a work stoppage. In addition, employees may strike for reasons unrelated to our union arrangements. Any future work stoppage could, depending on the affected operations and the length of the work stoppage, have a material adverse effect on our financial position, results of operations or cash flows.

Additionally, the Company benefited from some government measures enacted in Latin America and the Caribbean to help companies deal with the economic fallout of the COVID-19 pandemic, including modification of existing regulations to reduce workdays or tax costs, tax payment deferral or tax credits and subsidies related to labor costs, among others. All subsidies granted were recognized on a systematic basis over the periods in which the related expenses were recorded, within "payroll and employee benefits" or "General and administrative expenses" in the consolidated statement of income (loss). The Company meets all the terms and conditions required by the governments to maintain the benefits granted. It is unclear how the macroeconomic business environment or societal norms may be impacted by the COVID-19 pandemic. A post- or prolonged COVID-19 environment may undergo unexpected developments or changes, among them in fiscal, tax, labor and regulatory environments and customer behavior, which could have an adverse impact on our business.

A failure by McDonald's to protect its intellectual property rights, including its brand image, could harm our results of operations.

The profitability of our business depends in part on consumers' perception of the strength of the McDonald's brand. Under the terms of the MFAs, we are required to assist McDonald's with protecting its intellectual property rights in the Territories. Nevertheless, any failure by McDonald's to protect its proprietary rights in the Territories or elsewhere could harm its brand image, which could affect our competitive position and our results of operations.

Under the MFAs, we may use, and grant rights to sub-franchisees to use, McDonald's intellectual property in connection with the development, operation, promotion, marketing and management of our restaurants. McDonald's has reserved the right to use, or grant licenses to use, its intellectual property in Latin America and the Caribbean for all other purposes, including to sell, promote or license the sale of products using its intellectual property. If we or McDonald's fail to identify unauthorized filings of McDonald's trademarks and imitations thereof, and we or McDonald's do not adequately protect McDonald's trademarks and copyrights, the infringement of McDonald's intellectual property rights by others may cause harm to McDonald's brand image and decrease our sales.

Risks Related to Our Results of Operations and Financial Condition

We may use non-committed lines of credit to partially finance our working capital needs.

We may use non-committed lines of credit to partially finance our working capital needs. In response to the COVID-19 pandemic and related disruption in regional and global economic activity, in 2020 we drew on our available non-committed lines of credit as needed, although our cash flow had stabilized by the second quarter of 2020. As of December 31, 2021, we did not have any amounts outstanding under our credit lines. Given the nature of these lines of credit, they could be withdrawn and no longer be available to us, or their terms, including the interest rate, could change to make the terms no longer acceptable to us. The availability of these lines of credit depends on the level of liquidity in financial markets, which can vary based on events outside of our control, including financial or credit crises. Any inability to draw upon our non-committed lines of credit could have an adverse effect on our working capital, financial condition and results of operations.

Covenants and events of default in the agreements governing our outstanding indebtedness could limit our ability to undertake certain types of transactions and adversely affect our liquidity.

As of December 31, 2021, we had $657.9 million in total outstanding indebtedness (including interest payable), consisting of $755.3 million in long-term debt (including interest payable) net of $97.4 million related to the fair market value of our outstanding derivative instruments. The agreements governing our outstanding indebtedness contain covenants and events of default that may limit our financial flexibility and ability to undertake certain types of transactions. For instance, we are subject to negative covenants that restrict some of our activities, including restrictions on:

- creating liens;
- paying dividends;
- maintaining certain leverage ratios;
- entering into sale and lease-back transactions; and
- consolidating, merging or transferring assets.

If we fail to satisfy the covenants set forth in these agreements or another event of default occurs under the agreements, our outstanding indebtedness under the agreements could become immediately due and payable. In addition, we are required to meet certain financial ratios under our lines of credit and revolving credit facilities. We were not in compliance with our financial ratios during certain periods in 2020 and 2021 and received waivers from our lenders. In 2020, we refinanced our revolving credit facility with JPMorgan, and, since June 2021, we have been and continue to be in compliance with our financial ratios under our existing agreements. However, if we are unable to comply with such ratios or obtain waivers for non-compliance in the future, we will be in default under our line of credit and revolving credit facility. In the case of our revolving credit facility, any amounts drawn under such facility may be declared to be immediately due and payable by the relevant lender, who may also terminate its obligation to provide loans under such agreement if we are not in compliance with our ratios under the agreement. In the case of our non-committed lines of credit, if we have previously drawn any amount, then such amounts may be immediately due and payable to the relevant lender, subject to the terms of each non-committed line of credit. If our outstanding indebtedness becomes immediately due and payable and we do not have sufficient cash on hand to pay all amounts due, we could be required to sell assets, to refinance all or a portion of our indebtedness or to obtain additional financing. Refinancing may not be possible and additional financing may not be available on commercially acceptable terms, or at all.

Fluctuation in market interest rates could affect our ability to refinance our indebtedness or results of operations.

We are exposed to market risk related to changes in interest rates that could affect our results of operations or ability to refinance our existing indebtedness. Volatility or increases in interest rates could affect our ability to refinance our existing indebtedness or to obtain incremental debt financing. We cannot guarantee that we will be able to refinance our revolving credit facility in full or on similar or more favorable terms, as it becomes due in 2022. Volatility or increases in interest rates could increase our interest expense or borrowing costs and may adversely affect our results of operations. Our future ability to refinance our existing indebtedness will depend on certain financial, business and market trends, many of which are beyond our control.

Inflation and government measures to curb inflation may adversely affect the economies in the countries where we operate, our business and results of operations.

Many of the countries in which we operate, have experienced, or are currently experiencing, high rates of inflation. For example, since July 1, 2018, Argentina has been considered highly inflationary under U.S. GAAP. In addition, Venezuela has been considered highly inflationary under U.S. GAAP since 2010. Although inflation rates in many of the other countries in which we operate have been relatively low in the recent past, we cannot assure you that this trend will continue. The measures taken by the governments of these countries to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and retarding economic growth. Inflation, measures to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in many of these countries and to heightened volatility in their securities markets. Periods of higher inflation may also slow the growth rate of local economies that could lead to reduced demand for our core products and decreased sales. Inflation is also likely to increase some of our costs and expenses, which we may not be able to fully pass on to our customers or offset with other efficiencies, which could adversely affect our operating margins and operating income.

Exchange rate fluctuations against the U.S. dollar in the countries in which we operate have negatively affected, and could continue to negatively affect, our results of operations.

We are exposed to exchange rate risk in relation to the U.S. dollar. While substantially all of our income is denominated in the local currencies of the countries in which we operate, our supply chain management involves the importation of various products, and some of our imports, as well as some of our capital expenditures and a significant portion of our long-term debt, are denominated in U.S. dollars. As a result, the decrease in the value of the local currencies of the countries in which we operate as compared to the U.S. dollar has increased our costs, and any further decrease in the value of such currencies will further increase our costs. Although we maintain a hedging strategy to attempt to mitigate some of our exchange rate risk, our hedging strategy may not be successful or may not fully offset our losses relating to exchange rate fluctuations.

As a result, fluctuations in the value of the U.S. dollar with respect to the various currencies of the countries in which we operate or in U.S. dollar interest rates could adversely impact our net income, results of operations and financial condition.

Price controls and other similar regulations in certain countries have affected, and may in the future affect, our results of operations.

Certain countries in which we conduct operations have imposed, and may continue to impose, price controls that restrict our ability, and the ability of our sub-franchisees, to adjust the prices of our products. For example, there are currently certain price control regulations in force in Argentina. Although the industry in which we operate is not yet subject to these regulations, it is not clear whether the current administration will apply or enforce price controls in the future on the industry in which we operate.

Moreover, the Venezuelan market is subject to a regulation establishing a maximum profit margin for companies and maximum prices for certain goods and services. Although we managed to navigate the negative impact of the price controls on our operations from 2013 through 2021, the existence of such laws and regulations continues to present a risk to our business. We continue to closely monitor developments in this dynamic environment. See "Item 4. Information on the Company—B. Business Overview—Regulation."

The imposition and enforcement of these and similar restrictions in the future may place downward pressure on the prices at which our products are sold and may limit the growth of our revenue. We cannot assure you that existing price controls will not be enforced or become more stringent, or that new price controls will not be imposed in the future, or that any such controls may not have an adverse effect on our business. Our inability to control the prices of our products could have an adverse effect on our results of operations.

We are subject to significant foreign currency exchange controls and currency devaluation in certain countries in which we operate.

Certain Latin American economies have experienced shortages in foreign currency reserves and their respective governments have adopted restrictions on the ability to transfer funds out of the country and convert local currencies into U.S. dollars. This may increase our costs and limit our ability to convert local currency into U.S. dollars and transfer funds out of certain countries, including for the purchase of dollar-denominated inputs, the payment of dividends or the payment of

interest or principal on our outstanding debt. In the event that any of our subsidiaries are unable to transfer funds to us due to currency restrictions, we are responsible for any resulting shortfall.

For example, in 2021, our subsidiaries in Argentina represented 13.2% of our total revenues. Since September 2019, the Argentine government has tightened restrictions on capital flows and imposed exchange controls and transfer restrictions, substantially limiting the ability of companies to retain foreign currency or make payments outside of Argentina. Furthermore, the Central Bank of Argentina implemented regulations requiring its prior approval for certain foreign exchange transactions otherwise authorized to be carried out under the applicable regulations, such as dividend payments or repayment of principal of inter-company loans as well as certain imports of goods. As a consequence of these exchange controls, the spread between the official exchange rate and other exchange rates resulting implicitly from certain securities transactions (usually effected to obtain U.S. dollars) has broadened significantly, reaching a value of approximately 83% above the official exchange rate as of April 27, 2022. The implementation of the above-mentioned measures could impact our ability to transfer funds outside of Argentina and may prevent or delay payments that our Argentine subsidiaries are required to make outside Argentina. As a result, if we are prohibited from transferring funds out of Argentina, or if we become subject to similar restrictions in other countries in which we operate, our results of operations and financial condition could be materially adversely affected.

In addition, the continuing devaluation of the Argentine *peso* since the end of 2015 and the Venezuelan *bolívar* since 2010 has led to higher inflation levels, has significantly reduced competitiveness, real wages and consumption and has had a negative impact on businesses whose success is dependent on domestic market demand and supplies payable in foreign currency.

Further currency devaluations in any of the countries in which we operate could have a material adverse effect on our results of operations and financial condition. See "Item 3. Key Information —A. Selected Financial Data—Exchange Rates and Exchange Controls."

Risks Related to Government Regulation

If we fail to comply with, or if we become subject to, more onerous government regulations, our business could be adversely affected.

We are subject to various federal, state, provincial and municipal laws and regulations in the countries in which we operate, including those related to the food services industry, health and safety standards, importation of goods and services, marketing and promotional activities, nutritional labeling, zoning and land use, environmental standards and consumer protection. We strive to abide by and maintain compliance with these laws and regulations. The imposition of new laws or regulations, including potential trade barriers, may increase our operating costs or impose restrictions on our operations, which could have an adverse impact on our financial condition.

For example, Argentine regulations require us to seek permission from the Argentine authorities prior to importing certain goods or make payments in foreign currency for the import of such goods. Although these regulations do not currently affect us, they may in the future prevent or delay the receipt of goods that we require for our operations, or increase the costs associated with obtaining those goods, and therefore have an adverse impact on our business, results of operations or financial condition. Additionally, in 2017, Venezuela enacted the Productive Foreign Investments Constitutional Act, which replaced the Foreign Investment Act of 2014. This law establishes the requirements and limitations for the transfer of dividends and repatriation of foreign investments. It also establishes a minimum investment sum to be registered with the Ministry of Popular Power with Foreign Investment, limits access to internal financing, modifies the criteria of foreign investments and creates a new penalty system for those who do not comply with the law.

Regulations governing the food services industry have become more restrictive. We cannot assure you that new and stricter standards will not be adopted or become applicable to us, or that stricter interpretations of existing laws and regulations will not occur. Any of these events may require us to spend additional funds to gain compliance with the new rules, if possible, and therefore increase our cost of operation.

We could be subject to expropriation or nationalization of our assets and government interference with our business in certain countries in which we operate.

We face a risk of expropriation or nationalization of our assets and government interference with our business in some of the countries in which we do business. These risks are particularly acute in Venezuela. The current Venezuelan government has promoted a model of increased state participation in the economy through welfare programs, exchange and price controls and the promotion of state-owned companies. We can provide no assurance that Company-operated or franchised restaurants will not be threatened with expropriation and that our operations will not be transformed into state-owned enterprises. In addition, the Venezuelan government may pass laws, rules or regulations which may directly or indirectly interfere with our ability to operate our business in Venezuela which could result in a material breach of the MFAs, in particular if we are unable to comply with McDonald's operations system and standards. A material breach of the MFAs would trigger McDonald's option to acquire our non-public shares or our interests in Venezuela. See "—Risks Related to Our Business and Operations—McDonald's has the right to acquire all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may acquire our non-public shares or our interests in one or more Territories at 80% of their fair market value."

Non-compliance with anti-terrorism and anti-corruption regulations could harm our reputation and have an adverse effect on our business, results of operations and financial condition.

A material breach under the MFAs would occur if we, or our subsidiaries that are a party to the MFAs, materially breached any of the representations or warranties or obligations under the MFAs (not cured within 30 days after receipt of notice thereof from McDonald's) relating to or otherwise in connection with any aspect of the master franchise business, the franchised restaurants or any other matter in or affecting any one or more Territories, including by failing to comply with anti-terrorism or anti-corruption policies and procedures required by applicable law.

We maintain policies and procedures that require our employees to comply with anti-corruption laws, including the Foreign Corrupt Practices Act of 1977 (the "FCPA"), and our corporate standards of ethical conduct. Our employees, including part-time employees, are eligible to participate in training on ethical and anti-corruption standards, and we utilize our online campus to provide such training. However, we cannot ensure that these policies and procedures will always protect us from intentional, reckless or negligent acts committed by our employees or agents. If we are not in compliance with the FCPA and other applicable anti-corruption laws, we may be subject to criminal and civil penalties and other remedial measures, which could have an adverse impact on our business, financial condition, and results of operations. Any investigation of any potential violations of the FCPA or other anti-corruption laws by U.S. or other governmental authorities could adversely impact our reputation, cause us to lose or become disqualified from bids, and lead to other adverse impacts on our business, financial condition and results of operations.

Any tax increase or change in tax legislation may adversely affect our results of operations.

Since we conduct our business in many countries in Latin America and the Caribbean, we are subject to the application of multiple tax laws and multinational tax conventions. Our effective tax rate therefore depends on these tax laws and multinational tax conventions, as well as on the effectiveness of our tax planning abilities. Our income tax position and effective tax rate are subject to uncertainty as our income tax position for each year depends on the profitability of Company-operated restaurants and on the profitability of franchised restaurants operated by our sub-franchisees in tax jurisdictions that levy income tax at a broad range of rates. It is also dependent on changes in the valuation of deferred tax assets and liabilities, the impact of various accounting rules, changes to these rules and tax laws and examinations by various tax authorities. If our actual tax rate differs significantly from our estimated tax rate, this could have a material impact on our financial condition. In addition, any increase in the rates of taxes, such as income taxes, excise taxes, value added taxes, import and export duties, and tariff barriers or enhanced economic protectionism could negatively affect our business. Fiscal measures that target either quick-service restaurants ("QSRs") or any of our products could also be taken.

We cannot assure you that any governmental authority in any country in which we operate will not increase taxes or impose new taxes on our operations or products in the future.

Tax, customs or other inspections and investigations in any of the jurisdictions in which we operate may negatively affect our business and results of operations.

From time to time, we are subject to inspections or other investigations by federal, municipal and state tax and customs authorities in Latin America. These inspections and investigations may generate tax or other assessments, including fines, and could lead to other civil or criminal investigations which, depending on their results, may have a material adverse effect on our reputation, business, operations and financial results. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings."

Litigation and other pressure tactics could expose our business to financial and reputational risk.

Given that we conduct our business in many countries, we may be subject to multi-jurisdictional private and governmental lawsuits, including but not limited to lawsuits relating to labor and employment practices, taxes, trade and business practices, franchising, intellectual property, consumer, real property, landlord/tenant, environmental, advertising, nutrition and antitrust matters. In the past, QSR chains have been subject to class-action lawsuits claiming that their food products and promotional strategies have contributed to the obesity of some customers. We cannot guarantee that we will not be subject to these or similar types of lawsuits in the future. We may also be the target of pressure tactics such as strikes, boycotts and negative publicity from government officials, suppliers, distributors, employees, unions, special interest groups and customers that may negatively affect our reputation.

Information technology system failures or interruptions or breaches of our network security may interrupt our operations, exposing us to increased operating costs and to litigation.

We rely heavily on our computer systems and network infrastructure across our operations including, but not limited to, point-of-sale processing at our restaurants. We implement security measures and controls that we believe provide reasonable assurance regarding our security posture. However, there remains the risk that our technology systems are vulnerable to damage, disability or failures due to physical theft, fire, power loss, telecommunications failure or other catastrophic events. If those systems were to fail or otherwise be unavailable, and we were unable to recover in a timely way, we could experience an interruption in our operations. Moreover, security breaches, data breaches and cyberattacks involving our systems may occur from time to time. Although we have procedures and controls in place to protect our systems and safeguard confidential information, including personal information, and financial data, we have been and continue to be subject to a range of internal and external security breaches, denial of service attacks, malware, phishing attacks, viruses, worms and other disruptive problems caused by hackers. Data breaches, security incidents and cyberattacks can result from, among other things, inadequate personnel, inadequate or failed internal control processes and systems, or external events or actors that interrupt normal business operations. Our information technology systems contain personal, financial and other information that is entrusted to us by our customers, our employees and other third parties, as well as financial, proprietary and other confidential information related to our business. The proper and secure functioning of our technology, financial and processing systems is critical to our business and to our ability to compete effectively.

Furthermore, we have experienced a rise in transactions through online digital channels for which we rely on third-party operators or trusted certified payment gateways to handle sensitive financial transactions and other sensitive customer information. Our increasing reliance on third-party systems also presents the risks faced by the third party's business, including the operational, security and credit risks of those parties. Moreover, due to our digital strategy, there has also been an increase in the number of registered customers, now in the dozens of millions, for whom we store and process personal information to strengthen our relationship with customers. Although we work with our customers, third-party service providers and other third parties to develop secure data and information processing, collection, authentication, management, usage, storage and transmission capabilities and to ensure the eventual destruction of confidential information, including personal information, to prevent against information security risk, we, our third-party service providers or other third parties with whom we do business have been and continue to be the target of cyberattacks or subject to other information security incidents or breaches. An actual or alleged security breach of our or their systems has resulted and could result in additional disruptions, shutdowns, theft or unauthorized disclosure of personal, financial, proprietary or other confidential information. The occurrence of any of these incidents could result in reputational damage, adverse publicity, loss of consumer confidence, reduced sales and profits, fines, increased costs of regulatory compliance or enhanced measures against such security or data breaches, complications in executing our growth initiatives and regulatory and legal risk.

Our insurance may not be sufficient to cover certain losses.

We face the risk of loss or damage to our properties, machinery, cash and inventories due to fire, theft, climate change and natural disasters such as earthquakes and floods. While our insurance policies cover some losses with respect to damage or loss of our properties, machinery, cash and inventories, our insurance may not be sufficient to cover all such potential losses. For example, we suffered losses in connection with a truck drivers' strike in Brazil in 2018, which disrupted our supply chain that were not covered by our insurance policies. Our losses due to lower sales as a result of the COVID-19 pandemic were also not covered. Furthermore, we generate significant cash from our operations and have been and continue to be the target of theft of that cash from employees, suppliers and service providers that has resulted and could result in future losses that may not be fully covered by our insurance.

In addition, even if any such losses are fully covered by our insurance policies, such fire, theft, climate change or natural disasters may cause disruptions or cessations in our operations that would adversely affect our financial condition and results of operations.

Risks Related to Our Industry

The food services industry is intensely competitive and we may not be able to continue to compete successfully.

Although competitive conditions in the QSR industry vary in each of the countries in which we conduct our operations, in general, we compete with many well-established restaurant companies on price, brand image, quality, sales promotions, new product development and restaurant locations. Since the restaurant industry has few barriers to entry, our competitors are diverse and range from national and international restaurant chains to individual, local restaurant operators. Our largest sources of competition include Restaurant Brands International (which franchises Burger King, Popeyes and Tim Hortons), Yum! Brands (which franchises KFC restaurants, Taco Bell and Pizza Hut and Pizza Hut Express restaurants), Carl's Junior and Subway. In Brazil, we also compete with Habib's, a Brazilian QSR chain that focuses on Middle Eastern food, and Bob's, a primarily-Brazilian QSR chain that focuses on hamburger product offerings. We also face strong competition from new businesses targeting the same clients we serve, as well as from street vendors of limited product offerings, including hamburgers, hot dogs, pizzas and other local food items. We expect competition to increase as our competitors continue to expand their operations, introduce new products and market their brands.

If any of our competitors offers products that are better priced or more appealing to the tastes of consumers, increases its number of restaurants, obtains more desirable restaurant locations, provides more attractive financial incentives to management personnel, franchisees or hourly employees or has more effective marketing initiatives than we do in any of the markets in which we operate, this could have a material adverse effect on our results of operations.

Increases in commodity prices, logistic or other operating costs could harm our operating results.

Food and paper costs represented 35.3% of our total sales by Company-operated restaurants in 2021, and 22.2% of our food and paper raw materials cost is exposed to fluctuations in foreign exchange rates. We source, among other commodities, beef, chicken, potatoes, produce, sauces, dairy mixes, dairy cheeses, grains, sugar, fiber and coffee. The cost of food and supplies depends on several factors, including global supply and demand, new product offerings, weather conditions, fluctuations in energy costs and tax incentives, all of which makes us susceptible to substantial price and currency fluctuations and other increased operating costs. Our hedging strategies on the imported portion of our food and paper raw materials may not be successful in fully offsetting cost increases due to currency nor commodities fluctuations. Furthermore, due to the competitive nature of the restaurant industry, we may be unable to pass increased operating costs on to our customers, which could have an adverse effect on our results of operations.

Demand for our products may decrease due to changes in consumer preferences or other factors.

Our competitive position depends on our continued ability to offer items that have a strong appeal to consumers. If consumer dining preferences change due to shifts in consumer demographics, dietary inclinations, for example those who are looking for vegan products, trends in food sourcing or food preparation and our consumers begin to seek out alternative restaurant options, our financial results might be adversely affected. In addition, negative publicity surrounding our products could also materially affect our business and results of operations.

Our success in responding to consumer demands depends in part on our ability to anticipate consumer preferences and introduce new items to address these preferences in a timely fashion.

Our investments to enhance the customer experience, including through technology, may not generate the expected returns.

We are engaged in various efforts to improve our customers' experience in our restaurants. In particular, in partnership with McDonald's, we have invested in Experience of the Future ("EOTF"), which focuses on restaurant modernization and technology and digital engagement in order to transform the restaurant experience. As we convert restaurants to EOTF, we are placing renewed emphasis on improving our service model and strengthening relationships with customers, in part through digital channels and loyalty initiatives and payment systems.

We have also started a digital transformation with the goal of increasing our engagement with our customers and using data in order to improve our decision-making. As a result of the COVID-19 pandemic, we have accelerated our digital transformation plans to better serve our customers. In order to accomplish this goal, we made structural changes in our IT, including creating a "digital factory," which we call ADvance, to facilitate collaboration across groups within Arcos Dorados and adopting agile methodologies and principles to aid different groups in transforming products and services and the customer experience, or in otherwise achieving a specific business objective. We may not fully realize the intended benefits of these significant investments, or we might not find or retain the right talent to operate the new digital tools, or these initiatives may not be well executed, and therefore our business results may suffer.

Our business activity may be negatively affected by disruptions, catastrophic events, climate change or health pandemics.

Unpredictable events beyond our control, including war, terrorist activities, political and social unrest, climate change and natural disasters (or expectations about them), could disrupt our operations and those of our sub-franchisees, suppliers or customers, have a negative effect on consumer spending or result in political or economic instability. These events could reduce demand for our products or make it difficult to ensure the regular supply of products through our distribution chain. Climate change and other environmental issues may also increase the frequency and severity of weather-related events and natural disasters or affect customer behavior or preferences.

In addition, incidents of health pandemics, food-borne illnesses or food tampering could reduce sales in our restaurants. Widespread illnesses such as avian influenza, the H1N1 influenza virus, e-coli, bovine spongiform encephalopathy, hepatitis A or salmonella could cause customers to avoid meat or fish products. Furthermore, our reliance on third-party food suppliers and distributors increases the risk of food-borne illness incidents being caused by third-party food suppliers and distributors who operate outside of our control and/or multiple locations being affected rather than a single restaurant. In addition, recurrent events in our region related to Dengue, Yellow Fever and Zika viruses, as well as the COVID-19 outbreak in 2020, have resulted in heightened health concerns in the region, which could reduce the visits to our restaurants if these cases are not controlled.

Food safety events involving McDonald's outside of Latin America or other well-known QSR chains could negatively impact our business industry. Another extended issue in our region is the use of social media to post complaints against the QSR segment and the use of mobile phones to capture any deviation in our processes, products or facilities. Media reports of health pandemics, such as the COVID-19 outbreak, or food-borne illnesses found in the general public or in any QSR could dramatically affect restaurant sales in one or several countries in which we operate, or could force us to temporarily close an undetermined number of restaurants. As a restaurant company, we depend on consumer confidence in the quality and safety of our food. Any illness or death related to food that we serve could substantially harm our operations. While we maintain extremely high standards for the quality of our food products and dedicate substantial resources to ensure that these standards are met and well communicated publicly the spread of these illnesses is often beyond our control and we cannot assure you that new illnesses resistant to any precautions we may take will not develop in the future.

In addition, our industry has long been subject to the threat of food tampering by suppliers, employees or customers, such as the addition of foreign objects to the food that we sell. Furthermore, the increase in sales through our delivery channel also represents an increased risk of food tampering because we do not have control of the food once it leaves our restaurants. Reports, whether true or not, of injuries caused by food tampering have in the past negatively affected the reputations of QSR chains and could affect us in the future. While we require that suppliers maintain procedures and practices to ensure food safety and quality requirements, we cannot guarantee that suppliers will not breach their requirement to uphold our safety measures and standards or timely detection. Instances of food tampering, even those occurring solely at competitor restaurants, could, by causing negative publicity about the restaurant industry, adversely affect our sales on a local, regional, national or systemwide basis. A decrease in customer traffic as a result of public health concerns or negative publicity could materially affect our business, results of operations and financial condition.

Restrictions on promotions and advertisements directed at families with children and regulations regarding the nutritional content of children's meals may harm McDonald's brand image and our results of operations.

A significant portion of our business depends on our ability to make our product offerings appealing to families with children. Argentina, Brazil, Chile, Colombia, Mexico, Uruguay and Peru are considering imposing, or have already imposed, restrictions that impact the ways in which we market our products, including proposals that would have the effect of restricting our ability to advertise directly to children through the use of toys and to sell toys in conjunction with food.

For instance, in June 2012, Chile passed a law banning the inclusion of toys in children's meals with certain nutritional characteristics (Law Nº 20,606). This law came into effect on June 26, 2016. The ban in Chile also restricts advertisements to children under the age of 14. As a result of these laws, we modified our children's meals in order to continue offering toys in them. However, we were subject to several audits by the Chilean authorities. Chilean Law Nº 20,869, which also came into effect on June 26, 2016, restricts advertisements on television and in movie theaters between 6:00 a.m. and 10:00 p.m. This law affects food products that exceed certain standards of nutritional quality set by the Chilean authorities. These restrictions on advertisements did not affect or have any impact on our sales. On June 26, 2019, strict standards of nutritional quality set by the Chilean authorities came into effect. As a result of modifications that we made to the contents of some of our products in adherence with these stricter standards, we were able to continue offering toys in children's meals and Happy Meals in Chile grew proportionally in line with the rest of the business in the country and the rest of the Company.

In 2013, Peru approved Law No. 30021, which, together with the corresponding Regulatory Decree approved in June 2017, restricts the advertising of processed food products and non-alcoholic beverages intended for children under 16. In addition, regulations establish that advertisements of food products and non-alcoholic beverages containing trans-fat and high levels of sodium, sugar and saturated fat must contain a warning stating that excessive consumption should be avoided. These regulations do not include food prepared on the spot at the request of a customer.

Since 2014, the Mexican Ministry of Health empowered the Federal Commission for Prevention of Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios* or COFEPRIS) to regulate advertising directed at families with children. On April 15, 2014, COFEPRIS issued certain regulations which establish the maximum contents of fat, sodium and sugars that every meal advertised to children on television and in cinemas may contain. In February of 2015, COFEPRIS ordered us to stop advertising Happy Meals on television until we disclosed all the nutritional information for Happy Meals to COFEPRIS. We provided this information to COFEPRIS, but we have not yet received any legal authorization to advertise Happy Meals either during the general times when children may be watching television or during any programming geared towards children.

In Brazil, the Federal Prosecutor's Office filed suit in 2009 seeking to enjoin various QSRs, including us, from including toys in our children's meals. The Lower Federal Court in São Paulo ruled that the lawsuit was without merit. The Prosecutor's Office filed an appeal against this decision, which will be adjudicated by the Regional Federal Court in São Paulo. As of the date of this annual report, this appeal is still pending and the outcome remains uncertain. In addition, the number of proposed laws seeking to restrict the sale of toys with meals increased significantly in Brazil at the federal, state and municipal levels. In April 2013, a consumer protection agency in Brazil fined us $1.6 million for a 2010 advertising campaign relating to our offering of meals with toys from the motion picture *Avatar*. We filed a lawsuit seeking to annul the fine. The lower court ruled there was no basis for the penalty, which was upheld by the appellate court. The consumer protection agency filed a special appeal against this decision, which is pending final decision. Although similar fines relating to our current and previous advertising campaigns involving the sale of toys may be possible in the future, as of the date of this annual report, we are unaware of any other such fines, and in 2018, our subsidiaries in Brazil and Mexico joined the International Food and Beverage Alliance that regulates advertising for kids to help ensure our ongoing compliance with advertising restrictions.

On July 28, 2014, Colombia enacted Decree 975 of 2014, which sets forth certain directives regarding advertising directed at children. These directives include, (i) limiting any insinuation that the food and beverage being advertised is a substitute for any of the principal daily meals; (ii) any advertising directed at children or adolescents, during certain times of the day when children and adolescents are more likely to be consuming such advertising, must include disclosure that the advertisement is not part of the actual program; and (iii) requiring parental approval for any advertisement through a child/adolescent digital platform that requests any download or purchase.

Although we have introduced changes in our Happy Meals in order to offer more balanced and healthier options to our customers and in many cases been able to mitigate the impact of these types of laws and regulations on our sales, we may not be able to do so in the future and the imposition of similar or stricter laws and regulations in the future in the Territories may have a negative impact on our results of operations. In general, regulatory developments that adversely impact our ability to promote and advertise our business and communicate effectively with our target customers, including restrictions on the use of licensed characters, may have a negative impact on our results of operations.

We are subject to increasingly strict data protection laws, which could increase our costs and adversely affect our business.

We are subject to increasingly strict data protection laws in the markets in which we operate and these laws are subject to frequent change. For example, we are subject to the Brazilian General Data Protection Law ("*Lei Geral de Proteção de Dados*" or "LGPD"), federal law 13,709/2018, which became effective in September 2020. The LGPD significantly improves Brazil's existing legal framework by regulating the use of personal data by the private and public sectors. The concept of "data processing" is broad and includes the collection, storage, transfer, deletion and other activities related to personal data. All companies that offer services or have operations involving personal data handling in Brazil are required to comply with the LGPD rules and adopt administrative and technical security measures to protect personal data. Starting in August 1, 2021, administrative sanctions under the LGPD are being applied by the National Data Protection Authority ("ANPD"). Additionally, the ANPD has entered into cooperation agreements with the consumer protection agencies and other public agencies to more efficiently oversee and regulate matters related to data protection. Furthermore, in February 2022 Brazil's national congress approved a constitutional amendment making the protection of personal data, including on digital media, a fundamental right protected under its constitution. The LGDP is very similar to the European Union General Data Protection Regulation ("GDPR"), which we are subject to in certain French territories where we operate in the Caribbean.

Similarly, Argentina, Uruguay, Peru, Ecuador, Colombia and Chile have established data protection laws that largely follow the same framework. In Argentina, Law No. 25,326 (the "Data Protection Law") is also very similar to the GDPR and requires companies that process personal data to register with Agency of Access to Public Information ("AAPI"), prescribes the instances in which data may be processed based on the law, requires that individuals be notified prior to their personal data being processed, among other security measures. Under the Data Protection Law, the AAPI has the power to impose pecuniary and non-pecuniary sanctions on companies that fail to comply with the law. Like Argentina and Brazil, Uruguay also has in place data protection laws similar to the GDPR, including Decree No. 64/020, that it has been strengthening in recent years. Among its recent developments, data protection laws in Uruguay have extended the scope of data protection regulation to data collected and treated abroad, when it is related to the offering of products and services in Uruguay, and requiring appointment of a compliance officer for data protection and preparation of a data protection impact assessment when more than 35,000 data subjects are being processed. In Ecuador, the Personal Data Protection Law became effective on May 26, 2021, which adopts international standards and measures on data protection. In Colombia, Law 1581 also requires companies to have in place data protection measures and yearly disclosure of such measures and a database of providers, clients and employees with the superintendency of industry and commerce. In Chile, there is currently a draft bill under review by congress to amend the Personal Data Protection Law No. 19,628, which largely follows the same framework of the GDPR.

In Peru, companies are required to comply with the Personal Data Protection Law No. 29733, which similarly regulates the use of personal data. Failure to comply is punishable with economic fines by the Personal Data Protection Authority. In November 2019, Peru approved the Directorial Resolution No. 80-2019-JUS/DGTAIPD, Practical Guide to Comply with the "Obligation to Inform," which obligates companies to inform the various owners of personal data of the processing of their personal data and provides information about the obligation and various exceptions to it. Furthermore, in January 2020, Peru approved the Directorial Resolution N° 02-2020-JUS/DGTAIPD, Directive of the Personal Data Processing through Video Surveillance System, which establishes new obligations and prohibitions in any place where video surveillance is conducted.

Failure to comply with these laws or other data protection laws enacted in the markets in which we operate, could result in legal proceedings and substantial penalties. Furthermore, the current regulatory environment in the markets in which we operate and the focus on stricter data protection frameworks may result in material operational and compliance costs that could adversely affect our business.

Environmental laws and regulations may affect our business.

We are subject to various environmental laws and regulations. These laws and regulations govern, among other things, discharges of pollutants into the air and water and the presence, handling, release and disposal of, and exposure to, hazardous substances and waste, such as common or non-hazardous waste and used vegetable oils, among others, in addition to requiring us to obtain permits and authorizations for various activities. These laws and regulations provide for significant fines and penalties for noncompliance. Third parties may also assert personal injury, property damage or other claims against owners or operators of properties associated with release of, or actual or alleged exposure to, hazardous substances at, on or from our properties.

Liability from environmental conditions relating to prior, existing or future restaurants or restaurant sites, including franchised restaurant sites, may have a material adverse effect on us. Moreover, the adoption of new or more stringent environmental laws or regulations could result in a material environmental liability to us.

In addition, beginning in 2018, Latin America experienced a wave of regulatory attempts to eliminate plastic bags and single use plastic products in the region. In many countries, new laws and regulations, especially in relation to the use of plastic bags, plastic straws and plastics in general have already been approved and in many cases will carry stiff penalties for violations. We have addressed this issue in our business by removing the plastic straws in nearly all of our markets and instead using alternative products. Additionally, in most of the markets in which we operate, we removed plastic lids from products used in our business and changed the salad containers in Argentina and other markets to cardboard containers, which led to a significant reduction in single use plastic in our operation within the last three years. We will need to find suitable alternatives before these new laws and regulations become effective. Regulations tend to be replicated across countries, and we are seeing an increase in related activity, both nationally and locally, in Brazil, Mexico, Colombia, Argentina, Ecuador, Chile, Uruguay, Peru, Guadeloupe, Martinique and French Guiana among other territories.

We may need to quickly replace other plastic products that we continue to use should additional laws and regulations be put in place, like draft bills establishing a minimum environmental protection standard regarding single-use plastics. For instance, Peru approved provisions to reduce the use of single-use plastic and prohibit its manufacture and purchase. Implementation of this new regulation was completed in December 2021. Similarly, in August 2021, Chile passed Law No. 21,368 that regulates single-use packaging and containers, which was defined to mean glasses, cups, bowls, cutlery, chopsticks, cups, straws, plates, glasses, boxes or containers for packaged food, trays, envelopes, placemats and lids, provided that they are not reusable. The law prohibits the delivery of any single-use containers for customers dining in and only allows the delivery of disposable products made of recyclable materials, other than plastic, for customers ordering to go. The law prohibits all plastic straws, stirrers, cutlery and chopsticks. Some of the provisions of the Chilean law become effective on February 13, 2022 and it is expected to be implemented in full force as of August 13, 2024. A similar law is currently being contemplated and likely to come into effect in Martinique and Guadeloupe next year. The enactment of additional laws and regulations to limit or eliminate the use of plastic products could increase our costs and have a material adverse effect on our business and results of operations, as these alternative products may be more expensive than the plastic products we currently use or may be difficult to find.

Our business is subject to an increasing focus on ESG matters.

In recent years, there has been an increasing focus on ESG matters by stakeholders, including employees, franchisees, customers, suppliers, governmental and non-governmental organizations and investors. A failure, whether real or perceived, to address ESG matters or to achieve progress on our ESG initiatives could adversely affect our business, including by heightening other risks disclosed in this annual report, such as those related to consumer behavior, consumer perceptions of our brand, labor costs and shortages, supply chain interruptions, commodity costs, and legal and regulatory complexity.

As a result of this heightened focus, including from governmental and nongovernmental authorities, and our commitment to social and environmental sustainability matters, we may provide expanded disclosure, establish or expand goals, commitments or targets, and take actions to meet such goals, commitments and targets. The goal, commitments or targets we set for ourselves regarding ESG, public policy or other matters, and our ability to meet such standards, is subject to risks and uncertainties, many of which are outside our control and may impact our business. Moreover, addressing ESG matters requires systemwide coordination and alignment, and the standards by which certain ESG matters are measured are evolving and subject to assumptions that could change over time. Furthermore, if we are not effective, or are not perceived to be effective, in addressing social and environmental sustainability matters or meeting such goals, commitments and targets, it may impact perceptions of our brand or expose us to market, operational, reputational and execution costs or risks.

We may be adversely affected by legal actions with respect to our business.

We could be adversely affected by legal actions and claims brought by consumers or regulatory authorities in relation to the quality of our products and eventual health problems or other consequences caused by our products or by any of their ingredients. We could also be affected by legal actions and claims brought against us for products made in a jurisdiction outside the jurisdictions where we are operating. An array of legal actions, claims or damaging publicity may affect our reputation as well as have a material adverse effect on our revenues and businesses.

Unfavorable publicity or a failure to respond effectively to adverse publicity, particularly on social media platforms, could harm our reputation and adversely impact our business and financial performance.

The good reputation of our brand is a key factor in the success of our business. Actual or alleged incidents at any of our restaurants could result in harmful publicity. Moreover, we have seen a significant increase in the use of our delivery options as a result of the COVID-19 pandemic. Any actual or perceived issue with the delivery of orders could also result in harmful publicity. Even incidents occurring at restaurants operated by our competitors or in the supply chain generally could result in negative publicity that could harm the restaurant industry and thus, indirectly, our brand. In particular, in recent years, there has been a marked increase in the use of social media platforms and similar devices which give individuals access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their participants' posts, often without filters or checks on accuracy of the content posted. A variety of risks are associated with the dissemination of this information online, including the improper disclosure of proprietary information, negative comments about our company, exposure of personally identifiable information, fraud or outdated information. The inappropriate use of social media platforms by our customers, employees or other individuals could increase our costs, lead to litigation or result in negative publicity that could damage our reputation. In addition, we are often affected by negative news about McDonald's Corporation published in the media and picked up by Latin America outlets, as it can lead to the incorrect assumption by the public that it relates to Arcos Dorados or McDonald's brand in our region. If we are unable to quickly and effectively respond to negative reports, comments or posts in the media and social media platforms, we may suffer damage to our reputation or loss of consumer confidence in our products, which could adversely affect our business, results of operations, cash flows and financial condition, as well as require resources to rebuild our reputation.

Risks Related to Our Business and Operations in Latin America and the Caribbean

Our business is subject to the risks generally associated with international business operations.

We engage in business activities throughout Latin America and the Caribbean. In 2021, 68% of our revenues were derived from Brazil, Argentina, Puerto Rico and Mexico. As a result, our business is and will continue to be subject to the risks generally associated with international business operations, including:

- governmental regulations applicable to food services operations;
- changes in social, political and economic conditions;
- transportation delays and other supply chain disruptions;
- power, water and other utility shutdowns or shortages;
- limitations on foreign investment;
- restrictions on currency convertibility and volatility of foreign exchange markets;
- inflation;
- import-export quotas and restrictions on importation;
- changes in local labor conditions;
- changes in tax and other laws and regulations;
- expropriation and nationalization of our assets in a particular jurisdiction; and
- restrictions on repatriation of dividends or profits.

Some of the Territories have been subject to social and political instability in the past, and interruptions in operations could occur in the future. See also "—Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect business, results, financial conditions and prospects."

Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect business, results, financial conditions and prospects.

Arcos Dorados' growth and profitability depend on political stability and economic activity in Latin America and the Caribbean, especially in emerging market countries. Recent political unrest and social strife could affect developments and perception of risk in this region. For example, in 2020, several countries saw protests relating to the handling of the COVID-19 pandemic by their respective governments. Moreover, in 2021, political and social unrest in Colombia sparked widespread political demonstrations, which lasted a few months, and resulted in significant obstruction of transportation of supplies and goods for businesses and Colombian households. These demonstrations affected our operations and forced us to look to alternative supply chains. In addition, in 2021, political and social unrest in Latin American countries, including as a result of presidential elections held in Chile and Peru, sparked political demonstrations and, in some instances, violence. In Chile, for instance, polarizing candidates and a runoff election led to some violent protests and clashes with security forces. In Guadeloupe and Martinique, at the end of 2021, a call for an indefinite general strike was made by a group of trade unions and citizens' organizations to protest against imposition of a health pass and the compulsory vaccination of health workers against COVID-19. The strike took place for almost one month impacting the operation of our restaurants.

Changes in governmental policies in the Territories could adversely affect our business, results of operations, financial condition and prospects.

Governments throughout Latin America and the Caribbean have exercised, and continue to exercise, significant influence over the economies of their respective countries. Accordingly, the governmental actions, political developments, regulatory and legal changes or administrative practices in the Territories concerning the economy in general and the food services industry in particular could have a significant impact on us. We cannot assure you that changes in the governmental policies of the Territories will not adversely affect our business, results of operations, financial condition and prospects.

Latin America has experienced, and may continue to experience, adverse economic conditions that have impacted, and may continue to impact, our business, financial condition and results of operations.

The success of our business is dependent on discretionary consumer spending, which is influenced by general economic conditions, consumer confidence and the availability of discretionary income in the countries in which we operate. Latin American countries have historically experienced uneven periods of economic growth, recessions, periods of high inflation and economic instability. In 2019, economic growth in many Latin American countries slowed, with some entering recessions. Economic conditions remained challenging in 2021 as a result of COVID-19, although most economies rebounded from the economic contractions of 2020. Any prolonged economic downturn in the future could result in a decline in discretionary consumer spending. This may reduce the number of consumers who are willing and able to dine in our restaurants, or consumers may make more value-driven and price-sensitive purchasing choices, eschewing our core menu items for our entry-level food options. We may also be unable to sufficiently increase prices of our menu items to offset cost pressures, which may negatively affect our financial condition.

In addition, a prolonged economic downturn may lead to higher interest rates, significant changes in the rate of inflation or an inability to access capital on acceptable terms. Our suppliers and service providers could experience cash flow problems, credit defaults or other financial hardships. If our sub-franchisees cannot adequately access the financial resources required to open new restaurants, this could have a material effect on our growth strategy.

Risks Related to Our Class A Shares

Mr. Woods Staton, our Executive Chairman, controls all matters submitted to a shareholder vote, which will limit your ability to influence corporate activities and may adversely affect the market price of our class A shares.

Mr. Woods Staton, our Executive Chairman, owns or controls common stock representing 38.0% and 75.4%, respectively, of our economic and voting interests. As a result, Mr. Woods Staton is and will be able to strongly influence or effectively control the election of our directors, determine the outcome of substantially all actions requiring shareholder approval and shape our corporate and management policies. The MFAs' requirement that Mr. Woods Staton at all times hold at least 51% of our voting interests and 30% of our economic interest likely will have the effect of preventing a change in control of us and discouraging others from making tender offers for our shares, which could prevent shareholders from receiving a premium for their shares. Moreover, this concentration of share ownership may make it difficult for shareholders to replace management and may adversely affect the trading price for our class A shares because investors often perceive disadvantages in owning shares in companies with controlling shareholders. This concentration of control could be disadvantageous to other shareholders with interests different from those of Mr. Woods Staton and the trading price of our class A shares could be adversely affected. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders" for a more detailed description of our share ownership.

Furthermore, the MFAs contemplate instances where McDonald's could be entitled to purchase the shares of Arcos Dorados Holdings Inc. held by Mr. Woods Staton. However, our publicly held class A shares will not be similarly subject to acquisition by McDonald's.

Sales of substantial amounts of our class A shares in the public market, or the perception that these sales may occur, could cause the market price of our class A shares to decline.

Sales of substantial amounts of our class A shares in the public market, or the perception that these sales may occur, could cause the market price of our class A shares to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Under our articles of association, we are authorized to issue up to 420,000,000 class A shares, of which 132,787,384 class A shares were outstanding as of December 31, 2021 and 2,309,062 class A shares were held in treasury. We cannot predict the size of future issuances of our shares or the effect, if any, that future sales and issuances of shares would have on the market price of our class A shares.

As a foreign private issuer, we are permitted to, and we will, rely on exemptions from certain NYSE corporate governance standards applicable to U.S. issuers, including the requirement that a majority of an issuer's directors consist of independent directors. This may afford less protection to holders of our Class A shares.

Section 303A of the New York Stock Exchange, or "NYSE," Listed Company Manual requires listed companies to have, among other things, a majority of their board members be independent, and to have independent director oversight of executive compensation, nomination of directors and corporate governance matters. As a foreign private issuer, however, we are permitted to, and we will, follow home country practice in lieu of the above requirements. British Virgin Islands law, the law of our country of incorporation, does not require a majority of our board to consist of independent directors or the implementation of a nominating and corporate governance committee, and our board thus may not include, or may include fewer, independent directors than would be required if we were subject to these NYSE requirements. Since a majority of our board of directors may not consist of independent directors as long as we rely on the foreign private issuer exemption to these NYSE requirements, our board's approach may, therefore, be different from that of a board with a majority of independent directors, and as a result, the management oversight of our Company may be more limited than if we were subject to these NYSE requirements.

Risks Related to Investing in a British Virgin Islands Company

We are a British Virgin Islands company and it may be difficult for you to obtain or enforce judgments against us or our executive officers and directors in the United States.

We are incorporated under the laws of the British Virgin Islands. Most of our assets are located outside the United States. Furthermore, most of our directors and officers reside outside the United States, and most of their assets are located outside the United States. As a result, you may find it difficult to effect service of process within the United States upon these persons or to enforce outside the United States judgments obtained against us or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for

you to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an action against us or these persons in a British Virgin Islands court predicated upon the civil liability provisions of the U.S. federal securities laws.

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the British Virgin Islands, courts in the British Virgin Islands will not automatically recognize and enforce a final judgment rendered by a U.S. court.

Any final and conclusive monetary judgment obtained against us in U.S. courts, for a definite sum, may be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issue would be necessary, provided that in respect of the U.S. judgment:

- the U.S. court issuing the judgment had jurisdiction in the matter and we either submitted to such jurisdiction or were resident or carrying on business within such jurisdiction and were duly served with process;
- the judgment given by the U.S. court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of ours;
- in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court;
- recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and
- the proceedings pursuant to which judgment was obtained were not contrary to public policy.

Under our articles of association, we indemnify and hold our directors harmless against all claims and suits brought against them, subject to limited exceptions.

You may have more difficulty protecting your interests than you would as a shareholder of a U.S. corporation.

Our affairs are governed by the provisions of our memorandum of association and articles of association, as amended and restated from time to time, and by the provisions of applicable British Virgin Islands law. The rights of our shareholders and the responsibilities of our directors and officers under the British Virgin Islands law are different from those applicable to a corporation incorporated in the United States. There may be less publicly available information about us than is regularly published by or about U.S. issuers. Also, the British Virgin Islands regulations governing the securities of British Virgin Islands companies may not be as extensive as those in effect in the United States, and the British Virgin Islands law and regulations in respect of corporate governance matters may not be as protective of minority shareholders as state corporation laws in the United States. Therefore, you may have more difficulty protecting your interests in connection with actions taken by our directors and officers or our principal shareholders than you would as a shareholder of a corporation incorporated in the United States.

You may not be able to participate in future equity offerings, and you may not receive any value for rights that we may grant.

Under our memorandum and articles of association, existing shareholders are entitled to preemptive subscription rights in the event of capital increases. However, our articles of association also provide that such preemptive subscription rights do not apply to certain issuances of securities by us, including (i) pursuant to any employee compensation plans; (ii) as consideration for (a) any merger, consolidation or purchase of assets or (b) recapitalization or reorganization; (iii) in connection with a pro rata division of shares or dividend in specie or distribution; or (iv) in a bona fide public offering that has been registered with the SEC.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Overview

We were incorporated as Arcos Dorados Holdings Inc. on December 9, 2010 under the laws of the British Virgin Islands as a direct, wholly owned subsidiary of Arcos Dorados Limited, the prior holding company for the Arcos Dorados business. On December 13, 2010, Arcos Dorados Limited effected a downstream merger into and with us, with us as the surviving entity. Following the merger, we replaced Arcos Dorados Limited in the corporate structure and replicated its governance structure.

We are a British Virgin Islands company incorporated with limited liability and our affairs are governed by the provisions of our memorandum and articles of association, as amended and restated from time to time, and by the provisions of applicable British Virgin Islands law, including the BVI Business Companies Act (As Revised) or the "BVI Act." Our company number in the British Virgin Islands is 1619553. As provided in sub-regulation 4.1 of our memorandum of association, subject to British Virgin Islands law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and, for such purposes, full rights, powers and privileges.

Our principal executive offices are located at Dr. Luis Bonavita 1294, Office 501, WTC Free Zone, Montevideo, Uruguay (CP 11300). Our telephone number at this address is +598 2626-3000. Our registered office in the British Virgin Islands is Maples Corporate Services (BVI) Limited, Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.

The SEC maintains an internet website that contains reports, proxy, information statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. Our website address is www.arcosdorados.com. The information contained on, or that can be accessed through, our website is not part of, and is not incorporated into, this annual report.

Important Events

The Acquisition

McDonald's Corporation has a longstanding history in Latin America and the Caribbean, dating to the opening of its first restaurant in Puerto Rico in 1967. Since then, McDonald's expanded its presence across the region as consumer markets and opportunities arose, opening its first stores in Brazil in 1979, in Mexico and Venezuela in 1985 and in Argentina in 1986.

We commenced operations on August 3, 2007, as a result of the Acquisition of McDonald's LatAm business. Woods Staton, our Executive Chairman and controlling shareholder, was the joint venture partner of McDonald's Corporation in Argentina for over 20 years prior to the Acquisition and also served as President of McDonald's South Latin American division from 2004 until the Acquisition. Our senior management team includes executives who had previously worked in McDonald's LatAm business or with Mr. Woods Staton.

We hold our McDonald's franchise rights pursuant to the MFA for all of the Territories except Brazil, executed on August 3, 2007, as amended and restated on November 10, 2008 and as further amended on August 31, 2010, June 3, 2011 and March 17, 2016, entered into by us, LatAm, LLC (the "Master Franchisee"), our former wholly owned subsidiary Arcos Dorados Coöperatieve U.A., Arcos Dorados B.V., certain subsidiaries of the Master Franchisee, Los Laureles, Ltd. and McDonald's. On March 21, 2018, Arcos Dorados Group B.V. (together with Arcos Dorados B.V. and us, the "Owner Entities") replaced Arcos Dorados Coöperatieve U.A. as party to the MFA. On August 3, 2007, our subsidiary Arcos Dourados Comercio de Alimentos S.A., the Brazilian Master Franchisee, and McDonald's entered into the separate, but substantially identical, Brazilian MFA, which was amended and restated on November 10, 2008. Arcos Dourados Comercio de Alimentos S.A., formerly a limited liability company, changed its legal constitution and became a closely-held company ("*Sociedade por Ações Fechada*" or "S.A.") as of November 23, 2020, subject to certain publication and reporting requirements, including with respect to all acts or decisions made by its shareholders or its board of directors that impact or could impact third parties. See "Item 10. Additional Information—C. Material Contracts—The MFAs."

The Axionlog Split-off

We used to own and operate some of the distribution centers in the Territories, which operations and related properties we refer to as Axionlog (formerly known as Axis). As of the date of the split-off, Axionlog operated in Argentina, Chile, Mexico and Venezuela, and its main third-party customers were Sodexho, Eurest, Sadia, WalMart, Carrefour, Subway and Dairy Queen. We effected a split-off of Axionlog to our existing shareholders in March 2011. For additional information about the split-off of Axionlog, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—The Axionlog Split-off."

Geographic Division Update

Prior to October 1, 2021, our operating segments had been comprised of four geographic divisions: (i) Brazil; (ii) the Caribbean division, consisting of Aruba, Colombia, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas and Venezuela; (iii) NOLAD, consisting of Costa Rica, Mexico and Panama; and (iv) SLAD, consisting of Argentina, Chile, Ecuador, Peru and Uruguay.

Effective October 1, 2021, the Company made certain changes in its internal management structure in order to gain operational agility. As a result, the Company reorganized its operation from four geographic divisions to three geographic divisions, as follows: (i) Brazil; (ii) NOLAD, which now consists of Costa Rica, Mexico, Panama, Puerto Rico, Martinique, Guadeloupe, French Guiana and the U.S. Virgin Islands of St. Croix and St. Thomas; and (iii) SLAD, which now consists of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Segment Presentation."

Capital Expenditures and Divestitures

Under the MFAs, we are required to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period or such other commitment or period that McDonald's may approve during the term of the MFAs. The restaurant opening plan specifies the number and type of new restaurants to be opened in the Territories during the applicable three-year period or such other commitment or period that McDonald's may approve, while the reinvestment plan specifies the amount we must spend reimaging or upgrading restaurants in the Territories during the applicable three-year period or such other commitment or period that McDonald's may approve. Prior to the expiration of the then-applicable three-year period we must agree with McDonald's on a subsequent restaurant opening plan and reinvestment plan. In the event that we are unable to reach an agreement on subsequent plans prior to the expiration of the then-existing plan, the MFAs provide for an automatic increase of 20% in the required amount of reinvestments as compared to the then-existing reinvestment plan and a number of new restaurants no less than 210 multiplied by a factor that increases each period during the subsequent three-year restaurant opening plan or such other commitment or period that McDonald's may approve. We may also propose, subject to McDonald's prior written consent, amendments to any restaurant opening plan and/or reinvestment plan to adapt to changes in economic or political conditions.

As a result of the business disruptions caused by the COVID-19 pandemic, we agreed with McDonald's to withdraw our previously-approved 2020-2022 growth and investment plan and on December 18, 2020, we reached an agreement with McDonald's on a growth and investment plan for 2021 only. In January 2022, we reached an agreement with McDonald's on a new growth and investment plan. To support our future growth, we plan to open at least 200 new restaurants and to modernize at least 400 restaurants, with capital expenditures of approximately $650 million from 2022 to 2024. In addition, McDonald's Corporation agreed to continue providing growth support subject to our compliance with the terms of the growth and investment plan subject to our compliance with the terms of the growth and investment plan, which is expected to result in an effective royalty rate of about 5.6% of sales in 2022 and 6.0% of sales in 2023 and 2024. If we are unable to meet our commitments under this new plan or are otherwise unable to obtain a waiver from McDonald's, we will be in default under the terms of the MFAs. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affect our business, results of operations and cash flows."

As a result of our previous restaurant opening plan and reinvestment plan, property and equipment expenditures were $115 million, $86.3 million and $265.2 million in 2021, 2020 and 2019 respectively. In 2021, we opened 46 restaurants, reimaged 34 existing restaurants, and opened 27 McCafé and 107 Dessert Centers. In 2020, we opened 9 restaurants, reimaged 37 existing restaurants, and opened 118 Dessert Centers. In 2019, we opened 90 restaurants, reimaged 267 existing restaurants, opened 6 McCafé locations and 296 Dessert Centers. In 2021, 2020 and 2019, we closed 21, 66 and 20 restaurants, respectively.

In addition, outflows related to purchases of restaurant businesses paid at acquisition date totaled $0.2 million in 2021, $3.8 million in 2020 and $2.7 million in 2019.

Proceeds from the sale of property and equipment and sales of restaurant businesses, including related advances, totaled $2 million, $0.8 million and $8.2 million in 2021, 2020 and 2019, respectively.

B. Business Overview

Overview

We are the world's largest independent McDonald's franchisee in terms of systemwide sales and number of restaurants, according to McDonald's, representing 3.1% of McDonald's global sales in 2021. We have the exclusive right to own, operate and grant franchises of McDonald's restaurants in 20 countries and territories in Latin America and the Caribbean, including Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, the U.S. Virgin Islands of St. Croix and St. Thomas, and Venezuela, which we refer to collectively as the Territories. As of December 31, 2021, we operated or franchised 2,261 McDonald's-branded restaurants, which represented 6.1% of McDonald's total franchised restaurants worldwide. In 2021 and 2020, we accrued $131.4 million and $111.0 million, respectively, in royalties to McDonald's (not including royalties accrued on behalf of our sub-franchisees).

We operate in the QSR sub-segment of the fast food segment of the Latin American and Caribbean food service industry. In Latin America and the Caribbean, the fast food segment has benefited from the region's increasing modernization, as people in more densely populated areas adopt lifestyles that increasingly seek convenience, speed and value.

We commenced operations on August 3, 2007, as a result of the Acquisition. We operate McDonald's-branded restaurants under two different operating formats, Company-operated restaurants and franchised restaurants. As of December 31, 2021, of our 2,261 McDonald's-branded restaurants in the Territories, 1,579 (or 69.8%) were Company-operated restaurants and 682 (or 30.2%) were franchised restaurants. We generate revenues primarily from two sources: sales by Company-operated restaurants and revenues from franchised restaurants. Revenues from franchised restaurants primarily consist of rental income, which is generally based on the greater of a flat fee or a percentage of sales reported by franchised restaurants. We own the land for 490 of our restaurants (totaling approximately 1.1 million square meters) and the buildings for all but 8 of our restaurants.

Prior to October 1, 2021, our operating segments had been comprised of four geographic divisions: (i) Brazil; (ii) the Caribbean division, consisting of Aruba, Colombia, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas and Venezuela; (iii) NOLAD, consisting of Costa Rica, Mexico and Panama; and (iv) SLAD, consisting of Argentina, Chile, Ecuador, Peru and Uruguay.

Effective October 1, 2021, the Company made certain changes in its internal management structure in order to gain operational agility. As a result, the Company reorganized its operation from four geographic divisions to three geographic divisions, as follows: (i) Brazil; (ii) NOLAD, which now consists of Costa Rica, Mexico, Panama, Puerto Rico, Martinique, Guadeloupe, French Guiana and the U.S. Virgin Islands of St. Croix and St. Thomas; and (iii) SLAD, which now consists of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao.

As of December 31, 2021, 46.5% of our restaurants were located in Brazil, 27.6% in NOLAD and 25.9% in SLAD. We believe our diversified market presence reduces our dependence on any one market and helps stabilize the impact of individual countries' economic cycles on our revenues. We focus on our customers by managing operations at the local level, including marketing campaigns and special offers, menu management and monitoring customer satisfaction, while leveraging our size by conducting administrative and strategic functions at the divisional or corporate level, as appropriate.

The following table presents a breakdown of total revenues by division:

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars)		
Total Revenues			
Brazil	$ 1,002,781	$ 862,748	$ 1,385,566
NOLAD	780,866	584,646	676,382
SLAD (1)	876,294	536,825	897,129
Total	**2,659,941**	**1,984,219**	**2,959,077**

(1) Currency devaluations in Venezuela have had a significant effect on our income statements and have impacted the comparability of our income statements. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Foreign Currency Translation—Venezuela."

Our Operations

Company-Operated and Franchised Restaurants

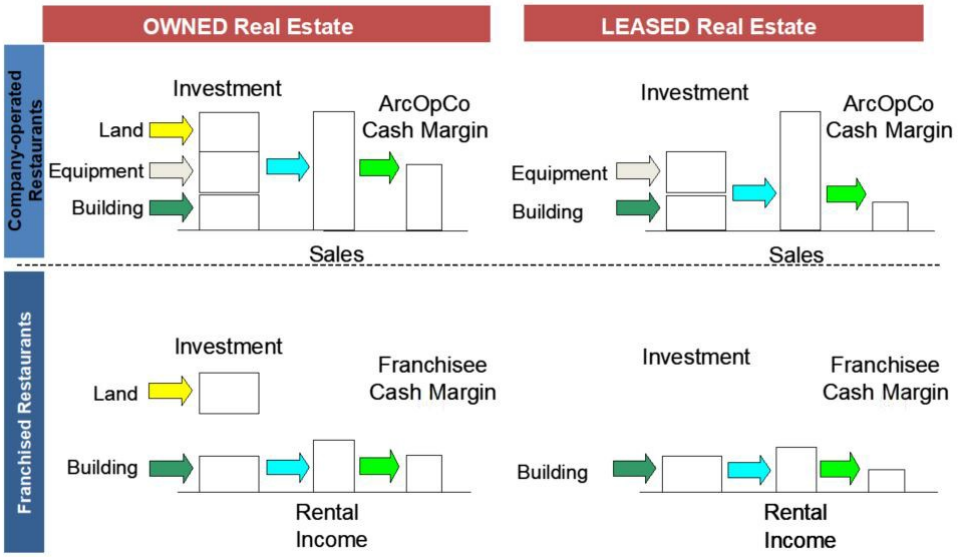
We operate our McDonald's-branded restaurants under two basic structures: (i) Company-operated restaurants operated by us and (ii) franchised restaurants operated by sub-franchisees. Under both operating alternatives, the real estate location may either be owned or leased by us.

We own, fully manage and operate Company-operated restaurants and retain any operating profits generated by such restaurants, after paying operating expenses and the franchise and other fees owed to McDonald's under the MFAs. In Company-operated restaurants, we assume the capital expenditures for the building and equipment of the restaurant and, if we own the real estate location, for the land as well.

In contrast to Company-operated restaurants, franchised restaurants are operated and managed by the sub-franchisee with technical and operational support from us as master franchisee, including training programs, operations manuals, access to our supply and distribution network and marketing assistance. Under our conventional franchise arrangements, sub-franchisees provide a portion of the capital required by initially investing in the equipment, signs, seating and decor of their restaurants, and by reinvesting in the business over time. We are required by the MFAs to own the real estate or to secure long-term leases for franchised restaurant sites. We subsequently lease or sublease the property to sub-franchisees. This arrangement allows for long-term occupancy of the property and assists in the alignment of our sub-franchisees' interests with our own.

In exchange for the lease and services, franchisees pay a monthly rent to us, generally based on the greater of a fixed rent or a certain percentage of gross sales. In addition to this monthly rent, we collect the monthly continuing franchise fee, which generally is 5% of the U.S. dollar equivalent of the restaurant's gross sales, and pay these fees to McDonald's pursuant to the MFAs. However, if a sub-franchisee fails to pay its monthly continuing franchise fee, we remain liable for payment in full of these fees to McDonald's. Pursuant to the MFAs, franchisees pay an initial franchise fee in connection with the opening of a new franchised restaurant and a transfer fee upon transfer of a franchised restaurant, both of which are subsequently shared by McDonald's and us. See "Item 10. Additional Information—C. Material Contracts—The MFAs—Franchise Fees."

The chart below illustrates the economics for Company-operated restaurants and franchised restaurants in the case of owned and leased real estate:



Source: Arcos Dorados

In addition, we are the majority stakeholder in two joint ventures that collectively own 15 restaurants in Argentina and Chile. We consider these restaurants to be Company-operated restaurants. We have also granted developmental licenses to 8 restaurants. Pursuant to the developmental licenses, the developmental licensees own or lease the land and building in which the restaurant is located and pay a franchise fee to us, in addition to the continuing franchise fee due to McDonald's. We consider these restaurants to be franchised restaurants. The above mentioned joint ventures and developmental licenses were in existence at the time of the Acquisition.

Additionally, in November 2021, a joint venture was formed with a Mexican sub-franchisee in which the Company is a minority stakeholder. We consider these restaurants to be franchised restaurants. The Company's joint ventures in Argentina, Chile and Mexico operate as a joint venture under the traditional definition used within the McDonald's system for such business arrangements. For purposes of this annual report, a joint venture is an entity that operates certain restaurants in the Company's territory in which the Company is a stakeholder together with a third party. This third party is always a sub-franchisee of the Company. Although the Company exercises significant influence over the entity's operating and financial policies, the third party is responsible for the day-to-day operation of the entity's restaurants. Restaurants operated by entities in which the Company has a majority stake are considered to be Company-operated; whereas, entities in which the Company holds a minority stake are considered to be franchised.

Restaurant Categories

We classify our restaurants into one of four categories: (i) freestanding, (ii) food court, (iii) in-store and (iv) mall stores. Freestanding restaurants are the largest type of restaurant, have ample indoor seating and include a drive-thru area and parking lot. Food court restaurants are located in malls and consist primarily of a front counter and kitchen and do not have their own seating area. In-store restaurants are part of a larger building, but they do not have a drive-thru area or a parking lot. Mall stores are located in malls like food court restaurants, but have their own seating areas. As of December 31, 2021, 1,109 (or 49.1%) of our restaurants (not including non-traditional satellite stores) were freestanding, 580 (or 25.7%) were food courts, 273 (or 12.1%) were in-stores and 297 (or 13.1%) were mall stores. These percentages vary by country, and may shift as opportunities in malls and more densely populated areas become available in some of the Territories.

Below are examples of each of our restaurant categories:

Freestanding

In-store

Mall Store

Food Court

Source: Arcos Dorados

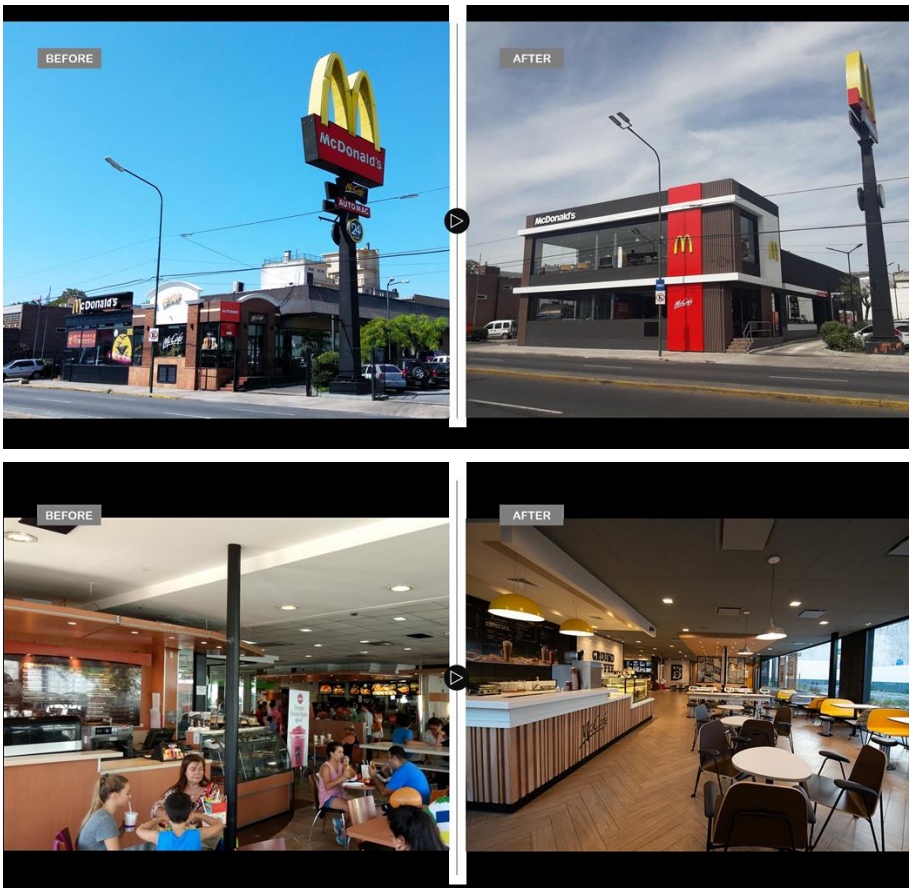
Returns on investment in each type of restaurant vary significantly due to the different capital expenditures required and their different sales potential; mall stores generally provide the highest return on investment while freestanding restaurants generally provide the lowest. Moreover, returns vary significantly on a country-by-country basis.

Reimaging

An important component of our development plan is the reimaging of existing restaurants. As of December 31, 2021, we completed 34 new reimaging projects of our restaurants as compared to December 31, 2020. Our restaurants that have undergone reimaging during the past three years have experienced an additional increase in sales per restaurant over the comparable sales growth experienced by restaurants which have not been reimaged in the same period. Both we and McDonald's are committed to maintaining an image for our restaurants that creates a contemporary dining experience. Over the last few years, we have invested substantially in the reimaging of our restaurants, and we, pursuant to the MFAs, have committed to a significant reimaging plan. See "Item 10. Additional Information—C. Material Contracts."

Objectives of the reimaging include elevating the customer's perception of McDonald's and creating a more sophisticated and highly aspirational environment. We have developed systemwide guidelines for the interior and exterior design of reimaged restaurants. When carrying out a reimaging project, we try to minimize the impact on the operations and sales of the restaurants, for instance, when possible, by keeping the restaurants open and operating during the renovations and working in specific areas of the location at particular times.

Below are images of the exterior of a few of our restaurants that have benefited from reimaging:



Source: Arcos Dorados

McCafé Locations and Dessert Centers

Our brand extension efforts focus on the development of additional McCafé locations and Dessert Centers. McCafé locations are stylish, separate areas within restaurants where customers can purchase a variety of customizable beverages, including lattes, cappuccinos, mochas, hot and iced premium coffees and hot chocolate. McCafé locations have been very successful in creating a different customer experience, optimizing the use of our restaurants at all hours of operation and providing a higher profit margin than our regular restaurant operations. We believe the primary benefit of McCafé locations is that they attract new customers by increasing the variety of our product offerings and improving our image.

McCafé locations have been a key factor in adding value to our customers' experience and represented 7.4% of the total transactions and 3.9% of total sales of the restaurants in which they were located in 2021. As of December 31, 2021, there were 268 McCafé locations in the Territories, of which 14.9% were operated by sub-franchisees. Argentina and Brazil, with 95 and 78 locations, each, have the greatest number of McCafé locations. The first McCafé in Latin America was opened in Argentina in 1999. Pursuant to the MFAs, we have the right to add McCafé locations to the premises of our restaurants.

Below are images of the interior of two of our McCafé locations:

Dessert Center - Ice Cube

Source: Arcos Dorados

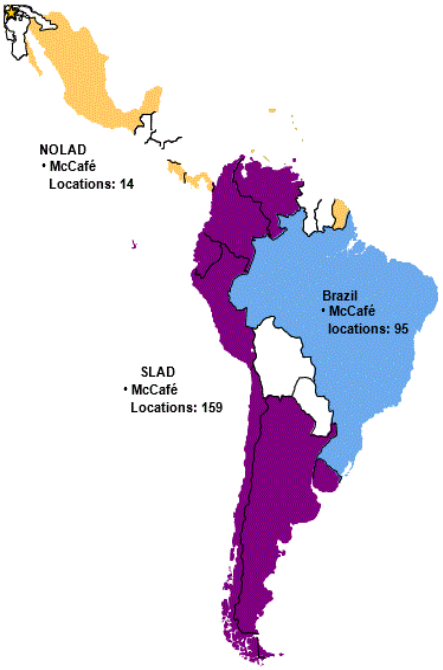
In addition to McCafé locations, Dessert Centers have been a very successful brand extension. Dessert Centers operate both as part of our existing restaurant locations and separately, as standalone locations. For those Dessert Center locations that operate separately from our restaurant locations, they depend on our restaurants for supplies and operational support. For example, a mall store restaurant can provide support for several Dessert Centers located in different locations throughout the same mall. Our Dessert Centers are conveniently located to attract customers, thereby serving as important transaction generators and providing an effective method of extending our brand presence to non-traditional areas. At Dessert Centers, customers can purchase a variety of dessert items, including the McFlurry and soft-serve ice cream. Dessert Centers require low capital expenditures and provide returns on investment and operating margins that are significantly higher than our regular restaurant operations. As such, we believe they are an important driver in increasing our market penetration.

Dessert Centers represented 23.9% of our transactions and 6.7% of our total sales in 2021. As of December 31, 2021, there were 3,265 Dessert Centers in the Territories. Dessert Centers are highly successful in Brazil, where we have 2,013 locations. The first Dessert Center was created in Brazil in 1979.

The following maps set forth our McCafé locations and Dessert Centers in each of the Territories as of December 31, 2021:

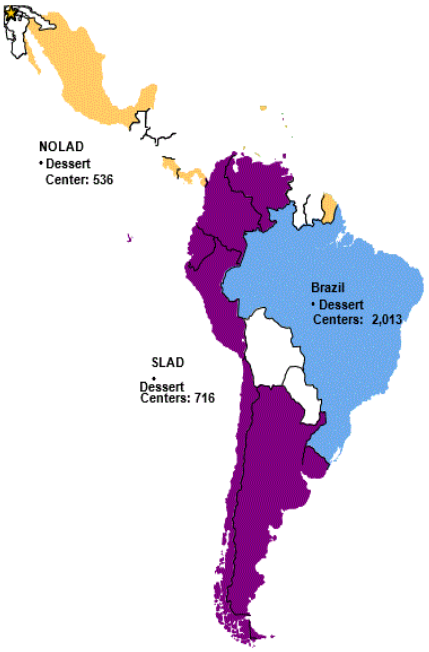
Network of McCafé Locations

268 total McCafé locations



Network of Dessert Centers

3,265 total Dessert Centers



Source: Arcos Dorados

The McDonald's Brand

Interbrand, a brand consulting firm, ranked McDonald's ninth among the top twenty global brands in 2021. In addition, we believe that in Latin America and the Caribbean, the McDonald's brand benefits from an aspirational cachet as a "destination" restaurant with a reputation for safe, fresh, affordable and good-tasting food in an attractive setting. McDonald's strong brand equity stems from the dedicated execution of its brand promise and its ability to associate with the local community where it operates. McDonald's sets the standard in the restaurant industry worldwide for brand stewardship and marketing leadership.

Product Offerings

A crucial part of delivering the brand to clients depends on our product offerings, or more specifically, our menu strategy and management. The key objective of our menu strategy is the development and offering of quality food choices that attract customers to our restaurants on a regular basis. The elements we utilize to achieve this goal include offering McDonald's core menu, our product innovation initiatives and our focus on food safety.

Our menus feature three tiers of products: (i) affordable entry-level options, such as our *McTrio 3x3* in Mexico and *Incondicionales* in Colombia, (ii) core menu options, such as the Big Mac, Happy Meal and Quarter Pounder, and (iii) premium options, such as Big Tasty and Signature Collection, chicken sandwiches and salads for those clients that want lower calorie options. These platforms can be based on the type of products, such as beef, chicken, salads or desserts, or on the type of customer targeted, such as the children's menu. We have offered a new menu with fewer calories and less sugar and sodium in the majority of our Territories since 2011. Since 2013, we have offered dairy products, fruits or vegetables with our Happy Meals in all of the Territories except Venezuela. In November 2019, we joined McDonald's Corporation in its mission to serve foods that are a win-win for families, providing delicious and nutritious food that appeal to both kids and parents. In the markets in which we operate, we are offering a Happy Meal menu that complies with the following criteria: less than 600 calories, less than 30% of calories from total fat, less than 10% of calories from saturated fat, less than 650 mg sodium, less than 10% of calories from added sugar, no artificial flavors and no added colors from artificial sources and balanced fruit and vegetable content. Arcos Dorados' new nutritional policy was publicly endorsed by major health and nutrition bodies of various countries, such as Inter-American Society of Cardiology, the Brazilian Association of Nutrition (ABRAN), the Argentine Cardiology Foundation, the Peruvian Nutrition Society (SOPENUT), and the Uruguayan Association of Dietitians and Nutritionists.

Our core menu is the most important element of our menu strategy because it includes most of our product offerings, includes well-recognized food choices that have global customer acceptance and are what customers repeatedly order at McDonald's-branded restaurants worldwide. We expanded our core products with new options such as Double Big Mac, Big Mac Bacon and Quarter Pounder with Bacon, Lettuce and Tomato in many countries, which are being offered for a limited time only. We have also introduced different sauces for the McNuggets with *McNuggetear* in many countries.

Product Development

We closely follow consumer trends in all the markets in which we operate to identify opportunities to keep evolving our products. In recent years, for instance, we have identified consumer preference for more natural food, and, as a result, we have been working with our supply chain teams to remove artificial flavors and colors from various core ingredients, including the Big Mac sauce, cheddar cheese, ketchup, mustard, and vanilla ice cream, among others. In turn, these changes have allowed us to transform our core products in response to consumer trends, including the Big Mac, Quarter Pounder with Cheese, Chicken McNuggets, Happy Meal products, hamburgers and cheeseburgers. While we fully aim to evolve our products along with consumer trends and provide new and better options on our menu, we also recognize the importance of preserving the very characteristic of McDonald's delicious flavors and food safety standards.

During 2021, we focused our menu on our core items, eliminating many products with low sales volumes, to reduce complexity in our kitchens.

In key countries, our understanding of the local market has enabled us to successfully introduce new items to appeal to local tastes and to provide our customers with additional food options. Our chicken-based offerings include bone-in chicken in markets such as Colombia, Peru, Panama and Costa Rica. Also, we carefully monitor the sales of our products and are able to quickly modify them if necessary. For instance, during the COVID-19 pandemic the sales of our desserts initially declined so we introduced new McFlurry combinations to share at home in which customers are able to make their own McDonald's desserts such as cones.

We work closely with McDonald's to develop new product offerings and McDonald's considers our recommendations regarding regional tastes and preferences and works with us to accommodate such tastes and preferences. We continue to benefit from McDonald's product development efforts following the Acquisition and have access to a library of products developed globally for the McDonald's system. For example, in 2021, we took the Crispy Chicken special offer from the U.S. and successfully launched it in Puerto Rico and Mexico. This special offer consists of 3 different chicken sandwiches (classic, spicy and deluxe) made with a unique recipe: special bread, butter, pickles, 100% chicken breast and spicy sauce. In addition, we continue to benefit from the Hamburger Universities in the United States and Brazil and the experimental kitchen located in Brazil that aims to develop locally relevant products for the region. The Hamburger Universities and the food studio

models have been McDonald's main global source of people and product development. The Hamburger Universities provide restaurant managers, mid-managers and owner/operators with training on best practices in different aspects of the business, like restaurant and people management, sales and accounting, while emphasizing consistent restaurant operations procedures, service, quality and cleanliness.

Product and Pricing Strategy

Value perceptions change significantly between markets and even between areas within a single market. In order to adjust pricing to meet customers' expectations in each market, we have developed local expertise aimed at understanding the dynamics of the local marketplace and the characteristics of its customers using data analytics and digital tools. We also examine trends in the pricing of raw materials, packaging, product-related operating costs as well as individual item sales volumes to fully understand profitability by item. In addition, we use international consultants with particular experience in this area to understand marketplace dynamics and consumer characteristics. These insights feed into the local markets' menu, promotional and pricing strategy as well as the marketing plan that is disseminated to both Company-operated and franchised restaurants. Restaurants may then adjust pricing and/or item offerings as they choose in an attempt to optimize sales, profitability and local preferences. This cycle is part of an overall revenue management philosophy and is part of our business management practices utilized throughout the region.

Advertisement & Promotion

We believe that sales in the QSR sub-segment can be significantly affected by the frequency and quality of our advertising and promotional programs. In particular, we benefit from the strength of McDonald's global resources, including its global alliances with some of the largest multinational conglomerates and sponsorship of sporting events such as the FIFA World Cup and participation in various movie promotions, which provides us with important advertising and promotion opportunities.

We promote the McDonald's brand and our products by advertising in all of the Territories. We create, develop and coordinate marketing plans and promotional activities throughout the Territories; however, pursuant to the MFAs, McDonald's reserves the right to review and approve any advertising materials and related promotional activities and may request that we cease using the materials or promotional activities at any time if McDonald's determines that they are detrimental to its brand image. We are required under the MFAs to spend at least 5% of our gross sales, and our sub-franchisees generally are required to pay us a certain percentage of their gross sales for the portion of advertising expenditures related to their restaurants, on advertisement and promotion activities. The only exception to this policy is in Mexico, where both we and our sub-franchisees contribute funds to a cooperative that is responsible for advertisement and promotion activities for Mexico. In connection with the COVID-19 outbreak, McDonald's granted us a reduction of the advertising and promotion spending requirement from 5% to 4% of our gross sales for the full year 2020. Beginning on January 1, 2021, we resumed spending 5% of our gross sales on advertising and promotion.

Our advertisement and promotion activities are guided by our overall marketing plan, which identifies the key strategic platforms that we aim to leverage to drive sales. The advertisement and promotion program is formulated based on the amount of advertisement and promotion support needed for each strategic platform for the year. Our key strategic platforms include menu relevance, by introducing premium products and extending core product lines, convenience and strengthening the kids and family experience. In terms of pricing, we understand that our customers seek great-tasting food at affordable prices and that their perception of value while at the restaurant is a significant factor in determining overall satisfaction and frequency of visits. Other initiatives included the "books or toys" campaign in all our markets in Latin America, through which we sold more than 20 million books since 2013 and which aims to encourage children's creativity. In 2021 we continued focusing our efforts in communicating the hygiene and safety procedures we follow through our McProtegidos Program in all our restaurants across all markets. We strengthened sales channels like McDelivery with special offers and repositioned the drive- thru sales channel in order to adapt to the new mobility trends. In addition, we successfully rebuilt our family business with the introduction of family bundles like the Family Box. All advertised Happy Meal bundles in the markets in which we operate comply with McDonald's Corporation's Global Marketing to Children Policy, including its Global Happy Meal Nutrition Criteria.

To unlock further growth, Arcos Dorados has committed to win the digital race in Latin America. We have created a dedicated department that is working under agile methodologies to accelerate our digital offerings. We are doubling down in our digital marketing capabilities to acquire, activate and engage customers through personalization. We continue to evolve our Mobile App which is the leader in the QSR industry with over 62 million downloads and 4+ star ratings. Additionally, we are developing new digital solutions to respond to customer trends such as mobile order & pickup.

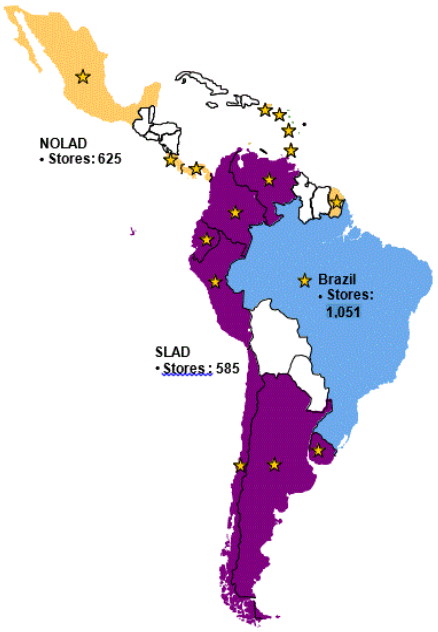
Through our digital platform, Arcos Dorados will offer customers the personal, fast and easy experiences they love and provide them with many reasons to keep coming back.

Through the execution of these initiatives, we work to enhance the McDonald's experience for customers throughout the Territories, and increase our sales and customer counts. We aim to position ourselves as a "forever young" brand that provides its customers delicious "feel good moments" through a youthfully energetic, distinctly casual, personally engaging and delightful dining/brand experience.

Regional Operations

The Company is divided into three geographic divisions: Brazil, NOLAD and SLAD. Except for Brazil, the other two divisions are subsequently divided into sub-groups comprised of individual Territories. The presidents of the divisions report directly to our chief operating officer.

The following map sets forth the number of our restaurants in each of our operating divisions as of December 31, 2021:



Source: Arcos Dorados

We remain close to customers by managing operations at the local level, including implementing recruiting centers, conducting marketing campaigns and promotions, monitoring consumer perception and managing menu offerings. We conduct administrative and strategic activities at either the divisional level or at our headquarters, as appropriate. In addition, we have designed standardized crew recruiting manuals and have implemented an online communication platform for crew and managers. These centralized operations help us maintain consistent procedures, quality control and brand management across all of our markets.

Set forth below is a summary of our restaurant portfolio as of December 31, 2021.

	Ownership			Store Type[1]						Real Property[2]	
Portfolio by Division	Company-Operated	Franchised	Total	Freestanding	Food Court	In-Store	Mall Store	Dessert Centers	McCafé Locations	Owned	Leased
Brazil	631	420	1,051	499	347	91	114	2,013	95	108	943
NOLAD	453	172	625	380	137	51	56	536	14	203	414
SLAD	495	90	585	230	96	131	127	716	159	179	406
Total	1,579	682	2,261	1,109	580	273	297	3,265	268	490	1,763

(1) Non-traditional satellite restaurants are not included in these figures.

(2) Developmental licenses and mobile stores are not included in these figures.

Brazil

Brazil is our largest division in terms of restaurants, with 1,051 restaurants as of December 31, 2021 and $1,002.8 million in revenues in 2021, representing 46.5% and 37.7% of our total restaurants and revenues, respectively. Our operations in Brazil are based in São Paulo and McDonald's has been present in Brazil since opening its first restaurant in Rio de Janeiro in 1979.

NOLAD

NOLAD includes nine countries with 625 restaurants as of December 31, 2021 and $780.9 million in revenues in 2021, representing 27.6% and 29.4% of our total restaurants and revenues, respectively. Its primary market is Mexico, where the division's management is based. McDonald's has been present in Mexico since opening its first restaurant in Mexico City in 1985. Mexico represents 58.4% of NOLAD's restaurants and 27.6% of NOLAD's revenues, and Mexico is our second-largest market in terms of restaurants.

SLAD

SLAD includes ten countries with 585 restaurants as of December 31, 2021 and $876.3 million in revenues in 2021, representing 25.9% and 32.9% of our total restaurants and revenues, respectively. The division's management is based in Colombia and its primary market is Argentina, where McDonald's has been present since opening its first restaurant in Buenos Aires in 1986. As of December 31, 2021, Argentina represented 37.8% of SLAD's restaurants and 40.1% of SLAD's revenues in 2021. Argentina is our third-largest market in terms of restaurants.

Seasonality

Our sales and revenues are generally greater in the second half of the year than in the first half. Although the impact on our results of operations is relatively small, this impact is due to increased consumption of our products during the winter and summer holiday seasons, affecting July and December, respectively.

Supply Chain and Distribution

Supply chain management is an important element of our success and a crucial factor in optimizing our profitability. Currently, we have an integrated and centralized supply chain management system that focuses on (i) the highest possible quality and food safety standards, (ii) competitive market pricing that is predictable and sustainable over time, and (iii) leveraging of local, regional and global sourcing strategies to obtain competitive advantages. This system consists of the selection and development of suppliers that are able to comply with McDonald's high quality and food safety standards and the establishment of the appropriate type of relationships with them. These standards, which are based on the highest industry standards, such as International Organization for Standardization (ISO) standards, British Retail Consortium (BRC) standards, Global Food Safety Initiative ("GFSI"), and others, include requirements with respect to our suppliers' food safety and quality management systems, product consistency and timeliness, meeting or exceeding all local food regulations and compliance with our policies, procedures and guidelines. The supplier quality management system includes compliance with Hazard Analysis Critical Control Point ("HACCP"), an internationally recognized method of identifying and managing food safety risk addressed through the analysis and control of biological, chemical and physical hazards from raw material production, procurement, handling, manufacturing and distribution. Due to our supply chain management described above, we believe our products have a competitive advantage because they have many unique attributes that make them appealing to

our customers. For instance, our Chicken McNuggets are made of 100% white meat; our frying oil is 100% free of trans fatty acids; the dairy mix for our sundaes and the McFlurry undergo pasteurization processes to provide best-in-class quality and safest products; our vegetables are harvested in the fields with good agricultural practices and are washed and sanitized; and our beef patties are made with 100% pure beef and do not contain additives or preservatives.

Pursuant to the MFAs, we purchase core products and services, such as beef, chicken, buns, potatoes, produce, sauces, cheese and dairy mixes, from approved suppliers and distributors who satisfy the above mentioned requirements. If McDonald's were to determine that any product or service offered by an approved supplier is not in compliance with its standards, it may terminate the supplier's approved status. Beyond the purchase of core products and services, we have no restrictions on which suppliers or distributors we may use. We have largely continued the supply relationships that McDonald's had established prior to the Acquisition, and we developed relationships with new suppliers in accordance with McDonald's product and supplier requirements, including the following: Supplier Quality Management System (SQMS), Social Workplace Accountability (SWA), Distributor Quality Management Program (DQMP), Animal Health and Welfare (AH&W) and Packaging Quality Management Systems (PQMS), among others.

Since the process to become an approved supplier is lengthy, costly and requires proof of compliance with McDonald's high quality standards, we have found that oral agreements with our approved suppliers generally are sufficient to ensure a reliable supply of quality food products, and we have developed long-term relationships with most of our suppliers. In addition, we enter into written agreements with most of our suppliers regarding the cost of such goods, which can be based on pricing protocols, formula costing, benchmarking or open bidding processes, as appropriate. Our 35 largest suppliers account for approximately 75% of our supplies, excluding Venezuela, and no single supplier or group of related suppliers account for more than 15% of our total food and paper costs. Among our main suppliers are Marfrig Global Foods S/A, McCain Foods Limited, HAVI Group L.P., Reyes Holdings L.L.C., Axionlog B.V, Savencia Fromage & Dairy, Coca Cola Company, American Beef S.A., Tyson Foods, Aryzta S.A., Bimbo S.A, Frima S.A., BRF S.A., Schreiber Foods Inc., Kerry Group plc., Golden State Foods, Lactalis, Bunge Limited, Panifresh S.A, J F C & Natural Salads Distribuidora de Produtos Hortifrutigranjeiros Ltda, Griffith Foods Worldwide Inc, Brasilgrafica S.A, IBD Foods, LLC., Servicios de Gerencia S.A., Impresora Delta S.A., Bemis Company Inc., Lacteos de Poblet S.A., Fortunato Mangravita S.A., Central de Empaques S.A., 2 F Alimentos LTDA, J.R. Simplot Company, Interbake Chile S.A., BO Packaging S.A., Empresas Carozzi and Fridosa.

Our integrated supply chain management optimizes value as we work with suppliers to develop pricing protocols, inventory management, planning and product quality. As of December 31, 2021, approximately 22.2% of the food and paper products used in our restaurants were exposed to fluctuations in foreign exchange rates. This percentage varies among the Territories; for example, 38.8% of the products consumed in Mexico are exposed to fluctuations in foreign exchange rates, while 15.1% and 59.1% of the products consumed in Brazil and Colombia, respectively, are exposed. This includes the toys distributed to our restaurants, which are imported from China. Certain supplies, such as beef, dairy and produce, must often be locally sourced in 2021 due to restrictions on their importation. Although we maintain contingency plans to back up restaurant supplies, fluctuations in exchange rates coupled with the MFAs' requirement to purchase certain core supplies from approved suppliers, may mean that we are unable to quickly find alternate or additional supplies in the event a vendor is unable to meet our orders. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—From time to time, we depend on oral agreements with third-party suppliers and distributors for the provision of products and services that are necessary for our operations." The suppliers deliver almost all of their products to distribution centers that are responsible for transportation, warehousing, financial administration, demand and inventory planning and customer service. The distribution centers interact directly with our Company-operated and franchised restaurants.

Until March 16, 2011, we owned and operated some of the distribution centers in the Territories, which operations and related properties we refer to as Axionlog (formerly known as Axis). See "—A. History and Development of the Company—Important Events—The Axionlog Split-off." In 2011, we entered into a master commercial agreement with Axionlog on arm's-length terms pursuant to which Axionlog provides us with distribution inventory, storage (dry, frozen and chilled) and transportation services in Argentina, Chile, Colombia, Mexico, Uruguay, Peru, Venezuela and Ecuador. During 2021, Axionlog began providing logistics and transportation services in Martinique, French Guiana Guadeloupe, Aruba and Curaçao. For additional information about our transactions with Axionlog, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—The Axionlog Split-off."

Supply Chain Management and Quality Assurance

All menu products sold meet McDonald's and Arcos Dorados' specifications, including new products and promotions (except branded products, such as McFlurry toppings or Coca Cola Beverages, which follow standards specified by their brands). We work with our suppliers to implement testing of key standards at each stage of our supply chain, including raw materials, farming, processing and distribution. As an example, we have audits in place to verify that produce suppliers follow sustainable and socially responsible global agricultural practices. All protein suppliers also undergo Animal Health and Welfare Policy, bovine spongiform encephalopathy disease (beef suppliers), Good Manufacturing Practices ("GMP"), traceability and HACCP audits. At the processing stage, we implement a supplier quality management system that encourages continuous improvement in each key product category. These processes are measured, scored and audited on a regular basis to guarantee continuity and improvement. We conduct seminars annually with key suppliers on topics such as standards calibration, product sensory evaluation and best practices, and all suppliers are audited annually by a third party for compliance with McDonald's Supplier Quality Management System (SQMS) and Supplier Workplace Accountability ("SWA") programs.

The SWA program, for instance, promotes a set of global standards for suppliers in the McDonald's supply chain and helps to assess topics related to human rights, business integrity, workplace environment, management systems and grievance mechanisms. The SWA program enables us to mitigate risks to our brand, preserve the integrity of our supply chain and contribute to the consistent delivery of high quality and safe products without interruption, while also providing our suppliers with helpful tools to understand our expectations regarding ethical and safe treatment of individuals. Moreover, the SWA program verifies our suppliers' compliance with our expectations and standards by, among others, requiring suppliers to agree to adhere to the McDonald's supplier code of conduct, complete an annual self-assessment questionnaire, cooperate with third-party onsite audits and carry out any corrective and preventative action plans for any non-compliance identified.

As members of GFSI, we encourage our suppliers to adopt any scheme under the umbrella of GFSI that are recognized globally. We measure compliance through visits to processing plants, supplier summits, regularly scheduled audits and sensory testing for core products that is achieved through a combination of products, equipment and operational procedures. At the distribution stage, we deployed the McDonald's Distribution Quality Management Program, which includes a shelf-life management system, strict temperature controls upon receipt of goods, a sophisticated stock recovery program and a quality inspection program upon receiving and unloading food items. In 2017, we complemented our audit process with the implementation of unannounced GMP audits at the facilities of high-risk suppliers (categorized as Category 1 suppliers).

Additionally, in 2017. we introduced a restaurant food safety audit, which is an audit of our vendors run by a third-party contractor. We participate in the restaurant operations improvement process designed by McDonald's, under which Company-operated and franchised restaurants are visited at least three times in any 12-month cycle to identify system opportunities to continuously improve our operations. Visits are conducted by our operation consultants, who assess restaurants based on food quality, service and cleanliness. Vendors must also establish measures to prevent intentional or unintentional harm to people, products and processes, as well as associated losses. We expect our vendors to be able to demonstrate, among others, facility security and food defense plans based on recognized and valid methodologies, ensure that only authorized persons have access to their facilities, maintain protocols to report any breaches or suspected breaches of security with plans for investigation and corrective actions and perform risk analysis on ingredients and raw materials to ensure compliance with food safety and quality requirements.

We also participate in the Service Management Group Inc. ("SMG") program, which is operated by McDonald's in several different regions, and provides customers with the opportunity to provide feedback on their experiences at our restaurants and with our products using a link to an online survey. Customer feedback obtained through the SMG program is sent to a centralized monitoring system that evaluates key operations indicators. Our multidisciplinary teams, which include members of our Supply Chain and Marketing and Operations teams, work to improve quality and efficiency at the restaurant level throughout the Territories.

Our Competition

We compete with international, national, regional and local retailers of food products. We compete on the basis of price, convenience, service, menu variety and product quality. Our competition in the broadest perspective includes restaurants, quick-service eating establishments, pizza parlors, coffee shops, street vendors, ice cream vendors, convenience food stores, delicatessens and supermarkets.

Our Customers

We aim to provide our customers with safe, fresh and great-tasting food at a good value and a favorable dining experience in the family friendly environment demanded by our target demographic of young adults and families with children. Based on data from the United Nations Economic Commission for Latin America and the Caribbean, the Territories represented a market of approximately 555 million people in 2020—equivalent to the combined population of the United States, Germany, France and the United Kingdom—of which approximately 23.1% are under 14 years old and 39.2% are under 25 years old. As a business focused on young adults in the 14 to 35 age range and families with children, our operations have benefited, and we expect to continue to benefit, from our Territories' population size, age profile when compared to more developed markets and improving socio-economic conditions.

The McDonald's brand in Latin America is positioned as an aspirational experience and a destination for our guests. In order to maintain that brand positioning, we have implemented several initiatives focused on providing our guests with a differentiated customer experience. EOTF provides an innovative experience with a noticeable change in the areas of service, hospitality, and atmosphere in the restaurant. We will evolve to an integrated vision, based on 5 fundamental pillars to transversally deliver the expected experience for our guest: atmosphere, people, family, menu and technology.

Despite ongoing risks generally associated with international business operations, the confluence of favorable factors throughout many of the Territories, including growth in our target demographic markets, offer an opportunity of profitable growth and the ability to serve an ever-increasing number of customers.

Regulation

We are subject to various multi-jurisdictional federal, regional and local laws in the countries in which we operate affecting the operation of our business, as are our sub-franchisees and suppliers. Each restaurant is subject to licensing and regulation by a number of governmental authorities, which include zoning, health, safety, sanitation, tax, operating, environmental, building and fire agencies in the jurisdiction in which the restaurant is located. Difficulties in obtaining, or the failure to obtain, required licenses or approvals can delay or prevent the opening of a new restaurant in a particular area. Restaurant operations are also subject to federal and local laws governing matters such as wages, working conditions and overtime. We are also subject to tariffs and regulations on imported commodities and equipment and laws regulating foreign investment.

Substantive laws that regulate the franchisor/franchisee relationship presently exist in several of the countries in which we operate, including Brazil. These laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply and regulate franchise sales communications.

Certain countries in which we conduct operations have imposed, and may continue to impose, price controls that restrict our ability, and the ability of our sub-franchisees, to adjust the prices of our products.

For example, in September 2014, Argentina passed: (i) Law No. 26,991, the "Regulation on Production and Consumption Relationships Act," which reformed a 1974 Act (Law on Supply of Goods and Services); and (ii) Law No. 26,992, the "Creation of the Observatory of Prices and Availability of Inputs, Goods and Services Act."

The Regulation on Production and Consumption Relationships Act empowers the Secretary of Commerce to, among other things: (i) establish profit margins and set price levels (setting maximum, minimum and benchmark prices); (ii) issue regulations on commerce, intermediation, distribution or production of goods and services; (iii) impose the continuance of production, industrialization, commercialization, transport, distribution or rendering of services or impose the production of goods; (iv) set subsidies; (v) request any kind of documentation and correspondence related to commercial activities or the management of the businesses and impose the publication of prices and availability of goods and services and seize such documentation for up to 30 working days; (vi) impose registration and recordkeeping requirements; and (vii) impose licensing regimes for commercial activities. In addition, the Secretary of Commerce is entitled to impose certain penalties for failure to comply with the Regulation on Production and Consumption Relationships Act, including fines, temporary closure of businesses, seizure of goods and products and loss of fiscal benefits.

The Creation of the Observatory of Prices and Availability of Inputs, Goods and Services Act created a technical agency under the Secretary of Commerce (the Observatory of Prices and Availability of Inputs, Goods and Services) to control and systematize prices. The current Argentine administration, which took office in December 2019, has enforced the

aforementioned regulations and therefore set maximum price levels for some goods and services, which have been implemented by the secretary of commerce. Such regulations might impact the business and results of operations in the future.

Similarly, in Venezuela, the Fair Price Act has been in force since 2013, which seeks to lower high inflation by controlling prices and costs in the chain of production. The Fair Price Act generally sets forth a profit cap of 30% on the cost structure of goods and services, thus reducing management's ability to freely determine final prices. According to regulations passed under the Fair Price Act, to determine a final and fair price, management must observe and consider all of the costs of production, including (i) acquisition costs of raw materials, the determination of which must comply with existing regulations on transfer pricing (i.e., price, freight, primary storage, non-recoverable taxes and other costs directly attributable to the acquisition of raw materials), (ii) labor costs, and (iii) indirect costs of production.

The Fair Price Act also empowers the National Agency for the Defense of Socio-economic Rights to implement provisions and regulations on "fair pricing" and to oversee and audit businesses in Venezuela. Breaches of the Fair Price Act can result in criminal charges against merchants or business people. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Results of Operations and Financial Condition—Price controls and other similar regulations in certain countries have affected and may continue to affect our results of operations." Although we managed to navigate the negative impact of the price controls on our operations from 2013 through 2020, the existence of such laws and regulations continues to present a risk to our business. We continue to closely monitor developments in this dynamic environment.

We are also subject to labor laws applicable in the countries in which we operate. The adoption of new or more stringent labor laws or regulations could result in a material liability to us. During 2021, Venezuela implemented three increases in the minimum wage. In addition, in Argentina, certain proposed bills have attempted to implement overtime payments for weekends and mandatory employee profit-sharing, although none of those have been enacted by Congress. In Argentina there have also been enacted decrees that stated severance duplications with a decreasing scale and a cap of ARS$500,000 in case of dismissal without cause, that, according to the provisions currently in place, will apply until June 30, 2022. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—Labor shortages or increased labor costs could harm our results of operations."

In September 2014, Argentina enacted Law No. 26,993 (the "Prior Conciliation Service in Consumer Relations"). The Prior Conciliation Service in Consumer Relations is an administrative dispute resolution service within the Argentine Ministry of Production, by which consumers may freely submit their claims, with the purpose of reaching a settlement enforceable before the courts in case of noncompliance before a mediator within 30 days from the filing of the relevant claim. Consumers may only carry out proceedings before this administrative entity when the claims do not exceed a value equivalent to 55 times the minimum wage. Pursuant to Law No. 26,993, companies that are summoned to, but do not appear before, the Prior Conciliation Service in Consumer Relations may be subject to a fine equivalent to one minimum wage.

In addition, we may become subject to legislation or regulation seeking to regulate high-fat and/or high-sodium foods, particularly in Brazil and Chile. Moreover, restrictions on advertising by food retailers and QSRs have been proposed or adopted in Argentina, Brazil, Chile, Colombia, Mexico and Peru, including proposals to restrict our ability to sell toys in conjunction with food. Certain jurisdictions in the United States are considering curtailing or have curtailed McDonald's ability to sell children's meals including free toys if these meals do not meet certain nutritional criteria. Similar restrictions, if imposed in the Latin American countries where we do business, may have a negative impact on our results of operations. We will comply with any laws or regulations that may be enacted, and we can provide no assurance of the effect that any possible future laws and regulations will have on our operating results. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Industry—Restrictions on promotions and advertisements directed at families with children and regulations regarding the nutritional content of children's meals may harm McDonald's brand image and our results of operations."

Environmental Issues

To the best of our knowledge, there are currently no international, federal, state or local environmental laws, rules or regulations that we expect will materially affect our results of operations or our position with respect to our competitors. However, we can provide no assurance of the effect that any possible future environmental laws will have on our operating results. There are several countries and cities with regulations either already being enforced or in the legislative process. However, those laws have not had a material effect on our operations thus far. In the city of Sao Paulo, single used plastics are banned. In Mexico City, single use plastics are also banned. In our French Caribbean territories, the Circular Economy Law presents certain challenges that will potentially require structural investments and could potentially have an impact on our business results due to the inherent specifications of the law and its applicability in the quick service industry.

Insurance

We maintain insurance policies in accordance with the requirements of the MFAs and as appropriate beyond those requirements, to the extent we believe additional coverage is necessary. Our insurance policies include commercial general liability, workers compensation, "all risk" property and business interruption insurance, among others. See "Item 10. Additional Information—C. Material Contracts—The MFAs—Insurance."

Social Initiatives and Charitable Activities

The well-being of the communities where we operate is of considerable importance to us and we are engaged in a wide range of programs focused on positively impacting those communities. In addition to the support we give to Ronald McDonald House Charities, both currently and historically, we continue expanding our reach to the areas of Youth Opportunity and Sustainable Development and further strengthened our efforts in these areas in 2021 to reinforce our position as a socially responsible company.

Our social initiatives and charitable activities are embedded into our Recipe for the Future, which consolidates our social and environmental impact strategy and has six key pillars: youth opportunity, climate change, circular economy, sustainable sourcing, commitment to families and diversity & inclusion. The goal of Recipe for the Future is to align our efforts and follow a uniform agenda to fulfill the pillars of our impact strategy.

Youth Employment

Youth unemployment is one of the most critical issues facing countries in Latin America. Through our Youth Opportunity initiative, we promote social mobility by providing employment opportunities to young people in Latin America that help them develop valuable customer service and leadership skills that can be applied to a wide range of career paths in the future. We are implementing this initiative through strategic alliances and by leveraging our track record and experience in this field. We are also developing projects for labor participation that include technical training and programs to support the employment of people with disabilities, as well as financial literacy for our employees. For instance, we partnered with the Ministries of Labor of Mexico, Argentina, Costa Rica, Puerto Rico and Ecuador to promote employment participation of certain minority groups and provided financial training through online education platforms that foster the development of such life skills.

We increased our focus on Youth Opportunity because it has been one of the most significant problems facing Latin American countries in recent years. According to the Inter-American Development Bank (IDB), 40% of the working-age population in the region is young, between the ages of 15 and 29 years old. The unemployment rate of this particular age bracket is 20%, more than double the unemployment level of the general population and more than three times that of adults. Informality in the youth job sector in our region is among the largest in the world, reaching more than 60% according to the International Labour Organization ("ILO"), and we play a significant role in helping to address this issue.

Another initiative is Empleo con Apoyo, which aims to provide employment opportunities to youth with disabilities, encouraging the development of their skills and raise awareness with respect to the needs of individuals with disabilities. During 2021, more than 1700 employees were part of this program. In addition and related to Empleo con Apoyo, in 2018 we received the Global Recognition Award from the United Nations for our exemplary employment practices for disabled people in the State of São Paulo, Brazil. We maintain these practices in several of our markets through alliances with local organizations, such as the one with DISCAR in Argentina, which offers formal job opportunities to people with disabilities. In 2019, we were invited to present our work in the ILO "Decent Jobs for Youth" conference held in Rome. Arcos Dorados was the only company in our sector from Latin America invited to participate, which we believe is a testament and a recognition of the efforts we are making in helping this group of young people move forward with their lives as productive citizens. In Ecuador, we also make contributions to "Fundación el Triángulo" and in Chile to "Fundación Coanil" in order to support their local work in promoting employment opportunities for people with disabilities.

One of our most important soft skills training programs is Creating Your Future, a program supported by the Ministry of Education in Argentina that provides opportunities for skills development for our employees. This program was implemented with Kuepa, an organization dedicated to providing professional and soft skills training in Latin America, and the Global Fairness Initiative, an international non-profit organization focused on economic development.

Additionally, in conjunction with our Latin American branch of Hamburger University, we created the training platform McCampus Comunidad, which was designed as an Arcos Dorados and McDonald's employee training system, but has been opened to the general public, particularly to young people seeking formal job opportunities. McCampus Comunidad offers 11 free, online soft skills courses, related to leadership, digital capabilities, IT and customer services, all of which offer an official, formal certificate issued by the Hamburger University. As of December 31, 2021, over 22,000 young people from over 40 countries had enrolled and received at least one diploma from the program.

We have also continued to strengthen our partnerships with other organizations that focus on soft skills training, such as the Forge Foundation (including its branches in Argentina, Mexico, Uruguay, Peru and Mexico), Aldeas SOS, Instituto Ayrton Senna (Brazil), and Junior Achievement, among others. In 2021, we donated over $6 million in connection with our solidarity days, Gran Día and McHappy Day. Those funds were transferred to non-governmental organizations that support the development of soft skills and the employability skills of young people across the region and to support the local chapters of Ronald McDonald House Charities.

In Puerto Rico, we've signed a collaboration agreement with JJ Barea Foundation, a nongovernmental organization that focuses on the empowerment of at-risk young people through sports and also develops specific support programs that monitor their progress. In 2021, we provided support to more than 250 youths in the market.

In Argentina, the Fundación Sí builds and operates student houses for low-income young people that don't have access to universities in their local communities. Through our alliance with them, more than 600 students were able to continue with their studies.

Instituto Ayrton Senna in Brazil is a renowned non-governmental organizations ("NGOs") working to improve education at all levels. Our strong partnership allowed Arcos Dorados to reach more than 206,000 young students in their last year of public education, through the program called "socio-emotional conversations."

In Argentina, Mexico, Panama and Costa Rica, we have an alliance with Junior Achievement. Through Junior Achievement's different programs, young adults learn soft skills and gain an understanding of the process required to create their own enterprise. They also participate in a typical working day side-by-side with a professional volunteer. Along with Junior Achievement, we developed a volunteer program in which our staff can mentor the participants in different areas, such as helping them explore ways to create their own companies and leading conversations about creating new paths and possibilities for their future. Through this alliance, in 2021, we reached more than 14,500 young adults with opportunities to develop new technical and soft skills that will help them build a bridge between school and their future work.

We implemented passport to success explorer ("PTS Explorer") in Mexico and Panama, in alliance with International Youth Foundation and McDonald's Corporation. This program helps young adults develop soft and social skills, competencies for leadership and team work, among other skills. In Mexico, this program is implemented at the most important public high schools of the National College of Technical Professional Education system (*Colegio Nacional de Educación Profesional Técnica* or "CONALEP") in 30 states. Through Fundación Apoyo a la Juventud, PTS Explorer is linked to the academic curriculum of the 12th grade in CONALEP. In Panama, we are working on an alliance with the Ministry of Education (MEDUCA) and the Council of the Private Sector for Educational Assistance (COSPAE). During 2021, we reached more than 13,000 young adults in both countries.

Community

In 2021, we executed our yearly Gran Día and McHappy Day campaigns, which seek to broaden our social impact. Through these campaigns, funds raised through the sale of Big Macs were donated to local organizations supporting youth employment and the Ronald McDonald House Charities. We raised more than $6 million in 2021.

Besides the Ronald McDonald Houses, in the 2021, we collaborated with more than 30 NGOs, including Aldeas Infantiles SOS in Peru, Mexico, Panama, Costa Rica and Colombia, Ayrton Senna Institute in Brazil, Fundación Sí in Argentina, Fundación Coanil in Chile, Fundación El Triangle in Ecuador, Liceo Impulso in Uruguay, Centro Man Na Obra in Aruba and Fonditut in Curaçao.

We primarily contribute to the communities in which we operate through the Ronald McDonald House Charities, which is dedicated to creating, finding and supporting programs that directly improve the health and well-being of children by providing "a home away from home" to children undergoing medical treatment in hospitals and their families. As of December 31, 2021, there were 67 Ronald McDonald House Charities programs in 13 countries in Latin America and the

Caribbean, including 30 Ronald McDonald Houses, 35 Ronald McDonald Family Rooms and 2 Ronald McDonald Mobile Care units, which were built to deliver pediatric care services to remote locations. We are really proud to contribute to this cause through our solidarity day "*Gran Día*" in every country in which both Ronald McDonald House Charities and Arcos Dorados operate.

Additionally, we developed different programs as part of the Happy Little House strategy to serve as allies to parents seeking to keep their children entertained and learning while they quarantined at home due to the COVID-19 pandemic.

To continue supporting our community, we developed a program called "*Momento Azul*" (or blue moment) in Argentina with the objective of giving customers with autism spectrum disorder and their families, the opportunity to enjoy the McDonald's experience. The program involved lowering the level of music in our restaurants and reducing noise as well as an adapted menu with pictures. For us, inclusion is extremely relevant both because of our employees and our customers.

Diversity and Inclusion

Diversity, equity and inclusion is a priority for Arcos Dorados, as we understand that a culture of inclusion and appreciation for all employees, creates a stronger and more effective workforce.

In January 2018, Arcos Dorados formed a Diversity and Inclusion Committee aimed at promoting and fostering an inclusive culture in which gender, race, culture, sexual orientation or gender identity, religion, class or political belief, is valued and viewed as a competitive advantage and allows the company to consider and include new perspectives and backgrounds. Since 2018, the committee has worked toward improving employees' sense of belonging in the workplace and building a more connected workforce, as we believe this creates an environment where employees work more efficiently and effectively. We believe our diversity and inclusion practices have generated improvements in business results, innovation, and decision-making, among others.

In 2021, the Committee focused on four specific areas:

- Women's Network: our committee helped establish a women's network, whose membership includes women at all levels of the company, from crew at the restaurant level to executives at the level of the management board. The women's network provides a platform to elevate ideas and opinions to help women reach their highest potential within the company. Our Women's Network offer seminars, video gatherings, and talk shows using our corporate Hamburger University platform and works to liaise with management to convey the ideas and issues that affect women in the workplace. Arcos Dorados already employs a majority of women in its workforce, with 59% of its workforce comprised of women, and we are committed to increasing the participation of women in more senior roles and positions. In addition to our internal initiatives, in 2021 we increased the number of agreements and alliances signed with non-governmental organizations, international government bodies such as the United Nations and national governments in the region to guarantee equal opportunities to jobs and promotions.
- Gender Identity and Sexual Orientation Diversity (LGBTQI+): our committee helped form a network of employees from all professional levels and areas in the company to promote LGBTQI+ issues and foster a culture of respect, inclusion and professional growth, with zero tolerance for discrimination.
- Intergenerational Diversity: our committee has focused on the creation of a less top-down hierarchical work environment, in accordance with the agile methodology, where collaborative learning and innovative culture are nurtured horizontally. The majority of our workforce is between the ages of 18 and 24 years old, and our goal is to achieve a better understanding among the different generations of employees and leverage the skills and insights of each of them.
- Health and Wellness: our committee is focused on initiatives to promote health and wellness and assisting employees who are feeling stressed, particularly as a result of the challenges of the COVID-19 pandemic. To that end, we have focused on providing mental and physical support, conducted a series of educational and training programs, as well as streamed video gym and exercise classes through our corporate Hamburger University network.
- People with Disabilities: Arcos Dorados helps lead the effort in Latin America to include people with disabilities in the workforce. We have agreements in different countries, such as Argentina and Brazil, with NGOs that specialize in recruiting and training individuals with disabilities.

Nutrition and Well-Being

As part of our commitment to offering nutritious and high-quality products to our customers, we are dedicated to actively promoting a balanced lifestyle. This includes providing reliable, accessible information to promote informed nutritional decisions. We were the first restaurant chain in Latin America to provide full nutritional and calorie information about our menu on our websites in every country. All of our products' nutritional information is on McDonald's owned websites and mobile apps. With respect to Happy Meal menus, since 2019, we have had a nutritional calculator on our website to complement nutritional transparency with a personalized tool to enable our customers to make informed choices about their food options. We also publish our complete list of ingredients for Happy Meal menus. In addition, in 2017, we developed our *Receta del Futuro*, which focuses, among other goals, on offering balanced meals that meet certain criteria regarding saturated fat, added sugar and sodium content. We also updated our Happy Meal menus in all of our markets between 2018 and 2019 by including more fruits and vegetables and reducing fat, sodium and added sugars. Since then, it contains less than 600 calories in total and is comprised of the four basic food groups (fruits and vegetables, whole grains, lean proteins and dairy products), offering enhanced nutritional value for children.

We eliminated artificial color and flavors from our core and Happy Meal products and replaced them with natural ingredients. We continue to make progress in removing artificial colors and flavors from more products on the menu. Despite the changes to our menu, we maintain our high standards of quality, including the use of 100% beef in our hamburgers and selected potatoes for our McFries.

As of August 2019, Happy Meal offerings in all of our markets complied with the nutritional criteria set by the Global McDonald's Happy Meal Nutrition Criteria. We presented important changes in our famous Happy Meal, such as the reduction of sodium, calories and fat, and included an option for pure fruit juice with no added sugar to help promote the consumption of recommended food groups. These changes were endorsed by groups such as the Interamerican Society of Cardiology, the Brazilian Association of Nutrition, the Argentine Foundation of Cardiology, the Peruvian Society of Nutrition and the Uruguayan Association of Dieticians and Nutritionists. We continue with our responsible marketing practice complying with the Global Happy Meal Goals.

From a safety and quality perspective, we only use products that have passed strict quality and hygiene controls throughout the production chain, inside our restaurants and up to the moment they are served to our customers. These products are sourced from our approved supplier network for all McDonald's restaurants. We believe we developed and continue to have one of the highest food safety standards in the industry, closely monitoring and enforcing adherence to those standards. All of our restaurants are audited on a yearly basis by a third-party entity. In order to ensure the quality and safety of our products, we have also implemented a supplier audit program, held by an independent audit firm, which includes Supplier Workplace Accountability (SWA), Supplier Quality Management System (SQMS) and Packaging Supplier Quality Management System Paper (PQMS).

As part of our commitment to safeguarding the well-being of Arcos Dorados employees, guests and third-party operators, we continue to reinforce our product and service safety program called McProtegidos, or McSafe, which establishes a guide that combines strict hygiene, cleanliness and sanitation protocols that have characterized our brand throughout the COVID-19 pandemic. In addition to reinforcing existing safety measures, such as requiring that our employees wash their hands at least every half hour and sanitize their hands every fifteen minutes, we implemented the use of personal protective equipment, such as masks and gloves, and ask our employees to maintain a safe distance with others while working. We placed communication materials in all areas of our restaurants to help employees and guests learn about our safety protocols and delivery procedures for drive-thru and takeout. Furthermore, hand sanitizer is made available at the entrance of our restaurants and other locations throughout the restaurants. Acrylic barriers have been installed in the drive-thru, front counter and delivery areas of our restaurants. We also encourage our customers to use contactless payment methods, such as credit cards. For McDelivery, we have designed specific safety procedures to help maintain a two meter separation between delivery drivers. For guests who enter our restaurants to place orders, floors have been marked to help them maintain a 1.5 meter separation from other customers while waiting in line to order. Additionally, we use double bags and triple sealing to ensure isolation of food for McDelivery and sanitize bags that transport food supplies to our restaurants. Arcos Dorados will continue to follow and implement all recommendations from local health authorities.

Prior to the pandemic, we established a "*Puertas Abiertas*" ("Open Doors") program in the region, in which guests and key stakeholders were invited to visit our kitchens and other parts of our behind-the-counter operations. This program promotes greater transparency and has hosted over 15 million customers across the region since its creation in 2015. During 2020 and 2021, due to the COVID-19 pandemic, the program was transformed into virtual tours with over 1 million customers virtually visiting our kitchens and verifying the implementation of the McProtegidos program, as well as our other food safety protocols.

Sustainable Development

As much as possible, Arcos Dorados seeks to carefully identify, control and minimize the environmental impact generated by its operation. Environmental management must permeate the entire supply chain, which is why we work with suppliers who have shared values, ensuring they comply with best practices, endorsed or recognized under international seals.

To implement these initiatives, we have developed strategic partnerships with prestigious organizations such as the World Wildlife Fund ("WWF"), the Nature Conservancy and the Rainforest Alliance the Forest Stewardship Council ("FSC"), among others.

In 2021, Arcos Dorados joined the Earth Hour for the 13th consecutive year, a worldwide initiative of the WWF, to raise the global population's awareness and participation in environmental conservation and climate change prevention. All our restaurants and offices turn their external lights off for 60 minutes on this day.

In order to achieve reductions in our environmental impact at the restaurant level, we are taking specific actions, such as advancing our transition to renewable energy sourcing. To that end, we have signed power purchase agreement ("PPAs") in Brazil for 275 restaurants and 40 in Argentina.

Climate Change

We are following McDonald's Science Based Target commitment to reduce greenhouse gas ("GHG") emissions by 2030 from 2015 levels. The commitment targets a 36% reduction in our restaurants and offices and a 31% reduction across our supply chain. Arcos Dorados has conducted its first full GHG emissions inventory to monitor and measure its carbon footprint, in accordance with internationally recognized standards and methodologies. The total GHG emissions, Scope 1 & 2 for 2021 were 356,204 tonnes on a CO_2-equivalent basis (2.42% of direct emissions and 3.29% of indirect emissions). All of our 20 markets were assessed in 2021 and the outcome will be verified by a third party company, providing a higher level of transparency to the results obtained.

For the first time, we are also conducting our scope 3 inventory. This exercise is extremely valuable to understand the impact of our value chain and, more importantly, work side-by-side with our major suppliers to develop specific strategies to mitigate their emissions connected to the Arcos Dorados business.

Our 2021 Scope 3 emissions were 5,837,020 tonnes of CO_2e. The categories included in the assessment were:

Upstream Activities:
- Purchased goods and services
- Capital goods
- Fuel and energy related activities
- Waste generated in operations
- Business travel
- Employee commuting

Downstream Activities:
- Transportation and distribution
- Franchisees

We believe these categories represent material components of our supply chain in all its key categories.

Arcos Dorados is aware of the impact its supply chain has on the sustainability of its business, and we see this as an priority for us. As a company, we are fully committed to the environment and to reducing the impact of our operation by means of our Recipe for the Future platform. For this reason, we actively work to identify, reduce and mitigate the social and environmental impacts, together with our suppliers, encouraging best practices in each stage of the supply chain. We participated in the Carbon Disclosure Program ("CDP") Supply Chain Program as a member in 2021 for the fifth consecutive year. Arcos Dorados plays a leading role among the members of CDP Latin America, achieving the highest response rates from our suppliers in disclosing their environmental impacts through the CDP questionnaires. In 2021, Arcos Dorados achieved a 100% response rate from our suppliers, who were asked to respond to three questionnaires: climate change, forests and water security. Our own 2021 CDP scores are as follows: for the Forest Program, B- in cattle products, B- in soy products and B- in timber products; C for the Climate Change Program; and B- for the Water Security Program. We are satisfied with the progress made thus far. We know we still have a lot of work to do, but we believe that we are taking the necessary measures to achieve our goals.

As we continue working on the transition to a cleaner energy matrix, we expanded our renewable energy sourcing, particularly in Brazil and Argentina, and are actively exploring and leveraging the opportunities present in each market, In 2021, 11.6% of our total energy consumption came from renewable sources. We have almost tripled the renewables participation in our energy mix.

Packaging and Recycling

Our goal is to guarantee that 100% of our packaging comes from renewable, recycled or certified sources by 2025. Also, by 2025, we seek to offer recycling in all our restaurants. We understand that recycling infrastructure, regulations and consumer behaviors vary city to city and country to country, but we plan to be part of the solution and help influence powerful change.

In 2021, we achieved 100% of compliance with our packaging sourcing commitment. We continue to display waste sorting bins in our restaurants and educate our consumers about the importance of properly sorting and recycling materials where and when possible.

On a yearly basis, we offer sustainability workshops in our restaurants and organize beach clean-up activities in several markets, such as Argentina, Chile and Uruguay and Puerto Rico, among others. We plan to expand these opportunities within our communities.

Our strategy focuses on prioritizing certain processes: eliminating or minimizing the use of packaging through design innovation; recovering and recycling where possible; and aiming to close the loop by using more recycled materials, including recycled plastic, in our packaging and restaurants, which in turn helps to drive global demand for recycled materials. By the end of 2021, approximately 100,000 UBQ trays were delivered to our restaurants in Brazil. UBQ Materials is an Israeli company that has patented a technology, that converts household waste into a climate positive, bio-based thermoplastic. All trays manufactured in Brazil are made with UBQ and we are gradually replacing the old plastic trays used in our restaurants.

We have expanded the partnership to other countries, such as Colombia, where our bakery supplier Bimbo is already transporting their product in special UBQ bun trays, exclusive to McDonald's restaurants in the country. Additionally, in this market, we started a pilot project called "*Hazlo Circular,*" in partnership with the sustainability startups Amazoniko and Ifood, to offer free pickup of used food packaging from McDelivery orders from about 6,300 households of the Bogotá region to send to recycling.

Arcos Dorados is strongly committed to reducing the use of plastic. To improve capture rates and reduce the impact on the environment as a result of plastic waste, Arcos Dorados has developed a series of initiatives over the last few years. Arcos Dorados' work to tackle plastic pollution began in 2018, with the "Straws on Demand" program through which restaurants stopped offering straws in nearly all markets and only provided straws upon customer request. To date, we have eliminated plastic straws in almost every market. Additionally, we streamlined a series of initiatives. The main actions contributing to this reduction are:

- Straw only upon customer request, with the additional removal of lids from hot and cold drinks served in restaurants and replacement of plastic cups in some markets.
- Cutlery redesign (the spoon delivered with desserts redesigned to reduce plastic per unit by 40%) or replacement with fiber-based material.
- Plastic salad bowls and breakfast containers which were replaced with a 100% biodegradable cardboard box.

As a result of these processes, we are happy to report that:

- In 2019, we removed 1,103 tons of single-use plastic from our restaurants.
- In 2020, we removed 1,468 tons of single-use plastic from our restaurants.
- In 2021, we removed 457 tons of single-use plastic from our restaurants.

During this 3-year period, we have removed almost 40% of the total single-use plastic from our restaurants. We will continue to move forward in becoming part of the solution and making sure these plastic items never return to our restaurants. For example, to meet our commitment to remove plastics from Happy Meal toys by the end of 2025, in 2021, we implemented 16 weeks of sustainable toys in our Happy Meal campaigns.

In addition, through other partnerships such as our partnership with Tetrapack, we are manufacturing trash bins with recycled Tetrapack containers. On average, each trash bin is constructed with 50,000 Tetrapack containers that would have otherwise ended up in the landfills of Bogotá.

We are also working with Coca Cola to recycle plastic items. We have installed plastic recycling machines in some of our restaurants in Colombia so our customers, and anyone in the area, can deposit plastics into the machines and receive points for every item. After a certain number of points accumulated, we offer a free product as a token of our gratitude for helping us take care of the planet.

We were honored to receive recognition in Chile by the Fundación Recyclapolis, sponsored by the ministry of energy and environment, for our oil recycling program. We were the first company in our segment in Chile to receive this recognition.

When it comes to fiber materials, it is important to ensure that our fiber suppliers support deforestation-free supply chains. As an interim goal for 2025, we are focused on fiber-based packaging and committed to sourcing 100% of primary fiber-based guest packaging from chain-of-custody certified or third-party verified recycled sources, where no deforestation occurs. At the end of 2021, 100% of our fiber volume met this goal. With respect to facility-level certification, 100% of our suppliers are certified as either FSC or Programme for the Endorsement of Forest Certification ("PEFC").

Reverse logistics is another component of our recycling program. We are leveraging our logistics providers to recover cardboard from our restaurants, which is then recycled and reused to generate new packaging. The solution is being tested in several markets. In 2021, we recovered more than 93 tons of cardboard in Colombia as well as 54 tons in Mexico, which were reused in our value chain, providing us with opportunities to recycle and reduce waste. We aim to continue increasing the number of collected cardboard tons in the coming years.

Furthermore, in 2021 we established a partnership with the Israeli company UBQ to produce sustainable trays made out of organic trash to replace the plastic ones in Brazil. As a result, over 100,000 trays have been replaced in our restaurants across the country.

We also use reverse logistics for our used oil recycling program. We recycle used cooking oil in all our restaurants, which is then reused according to local regulations. For instance, in 2021, more than 2,000,000 litters of used cooking oil were recycled for further use, including as biodiesel.

The reverse logistics program leverages our efficient and extensive logistics processes. Our partner equips its fleet with sufficient capacity to transport used cooking oil from the restaurants back to the distribution center, where the oil is filtered, processed and directed to converters to manufacture biodiesel.

A similar process is followed for used cardboard boxes. Instead of sending the used cardboard boxes to the regular waste stream that ends up in landfills, our restaurants store the used cardboard boxes until they are collected by our distribution partner, who then transports the cardboard back to the distribution center, where it's compacted and packaged to be picked-up by converters, who in turn divert the cardboard back to our own box suppliers. In short, the circular economy process guarantees that our suppliers use cardboard boxes remanufactured to package goods that are delivered to our restaurants.

Sustainable and Responsible Sourcing of Materials

We work hard to continuously improve how we source our ingredients in a way that allows people, animals and the planet to thrive.

Arcos Dorados has supported sustainable food production and forest conservation efforts for years. Deforestation is one of the greatest threats facing our environment today, and we have been committed to do our part to support various local and global initiatives. In 1989, we joined McDonald's on its Amazon beef policy and Brazilian soy moratorium, and renewed our commitment in October 2011, when McDonald's signed a global moratorium against harvesting soy from the Amazon region. On a more local level, we have also been focused on the raw materials that we purchase, such as beef, chicken (including soy in feed), palm oil, coffee and fiber used in customer packaging, to develop strategies where we can have the greatest positive environmental impact. We are aligned with McDonald assessment to establish priority geographies, based on WWF's Living Forests Report 2015.

Over the last decade, Arcos Dorados has partnered with coffee suppliers to help advance coffee sustainability. We source coffee from suppliers that meet internationally certified sustainability standards. By the end of 2021, all of our coffee suppliers reached our approved sustainable source certifications. More than 89.4% of all the coffee served in our restaurants located in Argentina, Brazil, Chile, Uruguay, Costa Rica, Mexico, Colombia and Ecuador is now Rainforest Alliance certified. Moreover, 98.5% of the total coffee served in our restaurants is certified, as we also receive certifications from other internationally certified sustainability standards.

In the markets where we sell fish products, the Marine Stewardship Council helps to identify ways to protect long term fish production and improve the marine ecosystem. Our suppliers are responsible for maintaining sustainably raised fish stocks, minimizing the impact of fishing and conserving the environment.

While we don't use palm oil in our cooking processes, we work with our suppliers to guarantee that they use oil certified under the Roundtable on Sustainable Palm Oil (RSPO) standards. Additionally, we ask our chicken suppliers to source their chicken feed from low-deforestation regions or comply with certification requirements if it is sourced from countries where there are protected biomes, such as Brazil, Argentina and Paraguay.

In August 2016, we sourced the first certified, sustainably-produced beef in Latin America from the Novo Campo Project, which complies with the standards of the Brazilian Roundtable for Sustainable Beef ("GTPS" - *Grupo de Trabalho de Pecuaria Sustentavel*). We were the first restaurant in the QSR industry in Brazil to purchase beef from production cycles that meet global principles and criteria established by the Global Roundtable for Sustainable Beef ("GRSB").

As one of the largest buyers of beef in the region, we are serious about our responsibility to help lead the industry toward more sustainable production practices. Our goal is to eliminate deforestation from our global supply chain by 2030. To that end, we comply with the "McDonald's Deforestation-Free Beef Procurement Policy," as the standard for purchasing beef in Brazil and Argentina, which allows us to ensure our direct beef supplies are traced and externally verified by Agrotools, a Brazilian ag-tech company and certified B-corp that provides advanced monitoring technology. Furthermore, we engage suppliers that have strong standards of animal welfare and meet McDonald's standards and policies.

In 2021, we achieved the following deforestation-free beef policy compliance ratios: for Brazil, 99.55% of the beef purchased from direct suppliers complies with the deforestation policy; and for Argentina, 99.93% of the beef purchased from direct suppliers complies with the deforestation policy.

In addition, we lead roundtables in Brazil and Argentina to identify livestock production solutions to reduce the impact of beef production and help make this process more environmentally sound, socially responsible and economically viable. We strive to use our positions in certain organizations, like the GTPS in Brazil and the Argentine Roundtable For Sustainable Beef (MACS), to help promote sustainable livestock and lead cross-cutting and technical discussions focused on topics such as the review of the Sustainable Livestock Indicators Guide within the scope of the GTPS in Brazil and the creation of sustainable beef indicators for Argentina. Both organizations were part of GRSB and consist of representatives from different segments of the beef supply chain. We believe that we must support all stakeholders in the supply chain to achieve transformational change.

In 2016, we announced our commitment to source cage-free eggs throughout Latin America by 2025. In 2019, Brazil announced that it would begin purchasing cage-free eggs. Since then, the initiative has been treated as a priority inside and outside the Company, as we not only seek to expand and strengthen our operations, but also constantly influence our network

of suppliers in Latin America and the Caribbean to seek more sustainable and responsible solutions. Some of our partners, such as Marfrig, BRF, Aryzta and Bimbo, have already publicly committed to purchasing cage-free eggs in Brazil.

In 2021, Arcos Dorados reported to Mercy for Animals that as a consequence of COVID-19, our egg consumption in Latin America decreased by 23%. As we continue moving forward, we are evaluating local options to transition to cage-free eggs in several markets. Availability of suppliers who can scale up cage-free eggs has been a challenge. In addition, certain markets, as the ones located in the Caribbean, may find difficulties in sourcing local or imported cage-free eggs.

Furthermore, the responsible use of antibiotics is important for animal health, as well as to ensure the future effectiveness of antimicrobial medicines. In March 2015, we announced that we would only source from suppliers who can guarantee that their animals: (i) are raised without growth-stimulating antibiotics; (ii) have only received antibiotics to cure or prevent disease under veterinary supervision; (iii) are only given antibiotics approved for veterinary use; and (iv) are raised in environments that encourage healthy animal welfare and husbandry conditions to help reduce the need for antibiotic use. We are continuously working with our suppliers and producers to achieve this goal for the responsible use of antibiotics. Based on the premise that our customers deserve high quality products originating from healthy animals, together with McDonald's, we have been pioneers in prioritizing animal welfare. We have a specific committee for animal welfare issues, which acts under the guidelines of the Professional Animal Auditor Certification Organization (PAACO), an animal welfare organization.

Sustainable Restaurants

Arcos Dorados has implemented a sustainable construction policy for its restaurants. This means that all new projects include technologies and designs to drive efficiency in the use of energy and water, as well as the use of recycled materials and incorporate features to recycle waste.

Each type of restaurant has different sustainable initiatives, which are defined in Arcos Dorados sustainable design policy for restaurants, as follows:

- Freestanding restaurant: 25 sustainable initiatives.
- In-store restaurant: 17 sustainable initiatives.
- Food court and mall restaurants: 9 sustainable initiatives.

In 2021, Arcos Dorados implemented 93% of these initiatives for the newly constructed restaurants and 98% for the remodeled restaurants. As a result, restaurants are being designed and built to maximize energy efficiency and lower water usage by including low-consumption equipment, climate-efficient architecture and systems for reusable water, while at the same time, improving accessibility for our guests and employees. We also continue to work to improve processes, such as implementing responsible use and recycling of natural resources, promoting waste sorting and separation and encouraging the use of efficient air conditioning systems.

Additionally, 2021 marked the reopening of two iconic restaurants in Latin America: our Parque 93 in Bogotá and Polanco in Mexico City. These restaurants had been previously closed for quite some time. The closure of these two restaurants presented us with the opportunity to design brand new flagship stores that will bring the latest technology, digital experience and sustainability features, such as:

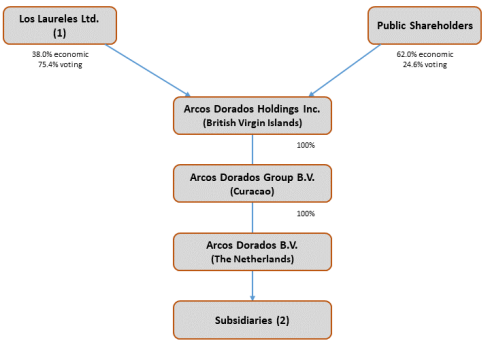
- LED lightning systems
- Solar water heaters
- Automatic signage lightning system with photocells
- Low consumption air conditioning systems
- Waste separation bins for customers
- FSC certified wood panels
- Electric vehicle charging stations
- Bicycle stations
- Rainwater collection systems
- Condensation water collection systems'
- Endogenous plants

These initiatives, among others, have been deployed in our new restaurants across the region, and Parque 93 and Polanco are clear examples of flagship stores, where the Arcos Dorados strategy *Receta del Futuro* fully comes to life.

C. Organizational Structure

We conduct substantially all of our business through our indirect, wholly owned Dutch subsidiary Arcos Dorados B.V. Our controlling shareholder is Los Laureles Ltd., a British Virgin Islands company, which is beneficially owned by Mr. Woods Staton, our Executive Chairman. Under the MFAs, Los Laureles Ltd. is required to hold at all times at least 51% of our voting interests and 30% of our economic interest, which is accomplished through its ownership of 100% of the class B shares of Arcos Dorados Holdings Inc., each having five votes per share. Los Laureles Ltd. has established a voting trust with respect to the voting interests in us held by Los Laureles Ltd. Los Laureles Ltd. is the beneficiary of the voting trust. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Los Laureles Ltd." Arcos Dorados B.V. owns all the equity interests of LatAm, LLC, the master franchisee, and owns, directly or indirectly, all the equity interests of the subsidiaries operating our restaurants in the Territories.

The following chart shows our corporate structure as of December 31, 2021.



(1) Includes class A shares and class B shares beneficially owned by Mr. Woods Staton, our Executive Chairman. Los Laureles Ltd. is beneficially owned by Mr. Woods Staton. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Los Laureles Ltd."

(2) Includes operating subsidiaries held directly and, in some cases, indirectly through certain intermediate subsidiaries.

Other than as described above, all of our significant subsidiaries are wholly owned by us, except Arcos Dorados Argentina S.A., of which Mr. Woods Staton owns 0.003%.

D. Property, Plants and Equipment

Property Operations

Our long-standing presence in Latin America and the Caribbean has allowed us to build a significant property portfolio with hard-to-replicate locations in key markets across the region that enhance our customers' experience and ultimately support our brand and market position. As of December 31, 2021, we owned the land for 490 of our 2,261 restaurants (totaling approximately 1.1 million square meters). We owned the buildings for all but 8 of our stand-alone restaurants, all of which are under developmental licenses, whereby the licensees own or lease the land on and buildings in which the restaurants are located. We lease the remaining real estate property where we operate. Accordingly, we are able to charge rent on the real estate that we own and lease to our sub-franchisees. The rental payments generally are based on the greater of a flat fee or a percentage of sales reported by franchised restaurants. When we lease land, we match the term of our sublease to

the term of the franchise. We may charge a higher rent to sub-franchisees than that which we pay on our leases, therefore deriving additional rental income.

The selection, construction and maintenance of restaurant locations and other related real estate assets, which is a key element of our performance, is determined based on an evaluation of expected returns on investment and the most efficient allocation of our capital expenditures. In addition to our restaurant property, we have (i) corporate offices in Montevideo, Uruguay; Buenos Aires, Argentina; and São Paulo, Brazil; and regional offices in Mexico City, Mexico and Bogotá, Colombia; (ii) distribution centers in the Caribbean; (iii) an industrial center called Food Town in São Paulo, Brazil, where our logistics operator is located; and (iv) training centers in São Paulo, Brazil and Buenos Aires, Argentina.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements as of December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, and the notes thereto, included elsewhere in this annual report, as well as the information presented under "Presentation of Financial and Other Information" and "Item 3. Key Information—A. Selected Financial Data."

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Forward-Looking Statements" and "Item 3. Key Information—D. Risk Factors."

Segment Presentation

Prior to October 1, 2021, our operating segments had been comprised of four geographic divisions: (i) Brazil; (ii) the Caribbean division, consisting of Aruba, Colombia, Curaçao, French Guiana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas and Venezuela; (iii) NOLAD, consisting of Costa Rica, Mexico and Panama; and (iv) SLAD, consisting of Argentina, Chile, Ecuador, Peru and Uruguay.

Effective October 1, 2021, the Company made certain changes in its internal management structure in order to gain operational agility. As a result, the Company reorganized its operation from four geographic divisions to three geographic divisions, as follows: (i) Brazil; (ii) NOLAD, which now consists of Costa Rica, Mexico, Panama, Puerto Rico, Martinique, Guadeloupe, French Guiana and the U.S. Virgin Islands of St. Croix and St. Thomas; and (iii) SLAD, which now consists of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao. In accordance with ASC 280 Segment Reporting, the Company began providing information with the revised structure of geographic divisions in the annual period ended December 31, 2021 and has restated its comparative segment information as of and for the years ended December 31, 2020 and 2019 based on the structure prevailing since October 1, 2021.

As of December 31, 2021, 46.5% of our restaurants were located in Brazil, 27.6% in NOLAD and 25.9% in SLAD. We focus on our customers by managing operations at the local level, including marketing campaigns and special offers, menu management and monitoring customer satisfaction, while leveraging our size by conducting administrative and strategic functions at the divisional or corporate level, as appropriate.

We are required to report information about operating segments in our financial statements in accordance with ASC 280. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in deciding how to allocate resources and assess performance. We have determined that our reportable segments are those that are based on our method of internal reporting, and we manage our business and operations through our three geographic divisions (Brazil, NOLAD and SLAD). The accounting policies of the segments are the same as those for the Company on a consolidated basis.

Principal Income Statement Line Items

Revenues

We generate revenues primarily from two sources: sales by Company-operated restaurants and revenue from franchised restaurants, which primarily consists of rental income, typically based on the greater of a flat fee or a percentage of sales reported by our franchised restaurants. This rent, along with occupancy and operating rights, is stipulated in our franchise agreements. These agreements typically have a 20-year term but may be shorter if necessary to mirror the term of the real estate lease. In 2021, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.6% and 4.4% of our total revenues, respectively. In 2020 and 2019, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.5% and 4.5% and 95.0% and 5.0% of our total revenues, respectively.

Operating Costs & Expenses

Our sales are heavily influenced by brand advertising, menu selection and initiatives to improve restaurant operations. Sales are also affected by the timing of restaurant openings and closures. We do not record sales from our sub-franchised restaurants as revenues.

Company-operated restaurants incur four types of operating costs and expenses:

- food and paper costs, which represent the costs of the products that we sell to customers in Company-operated restaurants;
- payroll and employee benefit costs, which represent the wages paid to Company-operated restaurant managers and crew, as well as the costs of benefits and training, and which tend to increase as we increase sales;
- occupancy and other operating expenses, which represent all other direct costs of our Company-operated restaurants, including advertising and promotional expenses, the costs of outside rent, which are generally tied to sales and therefore increase as we increase our sales, outside services, such as security and cash collection, building and leasehold improvement depreciation, depreciation on equipment, repairs and maintenance, insurance, restaurant operating supplies and utilities; and
- royalty fees, representing the continuing franchise fees we pay to McDonald's pursuant to the MFAs, which are determined as a percentage of gross product sales.

Franchised restaurant occupancy expenses include, mainly, as applicable, the costs of depreciating and maintaining the land and buildings upon which franchised restaurants are situated or the cost of leasing that property. A significant portion of our leases establish that rent payments are based on the greater of a flat fee or a specified percentage of the restaurant's sales.

We promote the McDonald's brand and our products by advertising in all of the Territories. Pursuant to the MFAs, we are required to spend at least 5% of our gross sales on advertisement and promotion activities annually. These activities are guided by our overall marketing plan, which identifies the key strategic platforms that we leverage to drive sales. Our sub-franchisees are generally required to pay us a certain percentage of their gross sales to cover advertising expenditures related to their restaurants. We account for these payments as a deduction to our advertising expenses. As a result, our advertising expenses only reflect the expenditures related to Company-operated restaurants. Advertising expenses are recorded within the "Occupancy and other operating expenses" line item in our consolidated statement of income (loss). The only exception to this policy is in Mexico, where both we and our sub-franchisees contribute funds to a cooperative that is responsible for advertisement and promotion activities for Mexico.

General and administrative expenses include the cost of overhead, including salaries and facilities, travel expenses, depreciation of office equipment, buildings and vehicles, amortization of intangible assets, occupancy costs, professional services and the cost of field management for Company-operated and franchised restaurants, among others.

Other operating income (expenses), net, include gains and losses on asset acquisitions and dispositions, gains related to sales of restaurant businesses, gains on contribution of businesses in equity method investments, write-offs of property and equipment, insurance recovery, impairment charges, rental income and depreciation expenses of excess properties, accrual for contingencies, write-offs and write-downs of inventory, recovery of taxes and other miscellaneous items.

Other Line Items

Net interest expense primarily includes interest expense on our short-term and long-term debt as well as the amortization of deferred financing costs.

(Loss) gain from derivative instruments relates primarily to the results of derivatives that are not designated for hedge accounting.

Gain from securities relates to transactions with certain securities.

Foreign currency exchange results relate to the impact of remeasuring monetary assets and liabilities denominated in currencies other than our functional currencies. See "—Foreign Currency Translation."

Other non-operating income (expenses), net, primarily include certain results related to tax credits, asset taxes that we are required to pay in certain countries and other non-operating charges.

Income tax expense includes both current and deferred income taxes. Current income taxes represent the amount accrued during the period to be paid to the tax authorities while deferred income taxes represent the earnings impact of the change in deferred tax assets and liabilities that are recognized in our balance sheet for future income tax consequences.

Net income attributable to non-controlling interests relates to the participation of non-controlling interests in the net income of certain subsidiaries that collectively owned 15 restaurants at December 31, 2021 (15 restaurants at December 31, 2020).

Impact of Inflation and Changing Prices

Some of the countries in which we operate have experienced, or are currently experiencing, high rates of inflation. In general, we believe that, over time, we have demonstrated the ability to manage inflationary environments effectively. During 2021 and 2020, our revenues were favorably impacted by our pricing strategy in many of these inflationary environments, as we were able to increase average check to keep pace with inflation.

The Venezuelan market is also subject to price controls, which limit our ability to increase prices to offset the impact of continuing high inflation on our operating costs. Although we managed to navigate the negative impact of the price controls on our operations from 2015 through 2021, the existence of such laws and regulations continues to present a risk to our business. We continue to closely monitor developments in this dynamic environment.

Key Business Measures

We track our results of operations and manage our business by using three key business measures: comparable sales growth, average restaurant sales and sales growth in constant currency.

In analyzing business trends, management considers a variety of performance and financial measures which are considered to be non-GAAP including: Adjusted EBITDA, comparable sales growth, systemwide data, constant currency measures and average restaurant sales.

Comparable Sales and comparable sales growth

Comparable sales is a key performance indicator used within the retail industry and is indicative of the success of our initiatives as well as local economic, competitive and consumer trends. Comparable sales are driven by changes in traffic and average check, which is affected by changes in pricing and product mix. Increases or decreases in comparable sales represent the percent change in sales from the prior year for all restaurants in operation for at least thirteen months, including those temporarily closed. Some of the reasons restaurants may close temporarily include reimaging or remodeling, rebuilding, road construction, natural disasters and/or other circumstances such as the COVID-19 pandemic. With respect to restaurants where there are changes in ownership, all previous months' sales are reclassified according to the new ownership category when reporting comparable sales. As a result, there will be discrepancies between the sales figures used to calculate comparable sales and our results of operations. We report on a calendar basis, and therefore the comparability of the same month, quarter and year with the corresponding period for the prior year is impacted by the mix of days. The number of weekdays, weekend days and timing of holidays in a period can impact comparable sales positively or negatively. We refer to these impacts as calendar shift/trading day adjustments. These impacts vary geographically due to consumer spending patterns and have the greatest effect on monthly comparable sales while annual impacts are typically minimal.

We calculate and analyze comparable sales and average check in our divisions and systemwide on a constant currency basis, which means that sales in local currencies, including the Argentine *peso* and Venezuelan *bolívar*, are converted to U.S. dollar using the same exchange rate in the applicable division or systemwide, as applicable, over the periods under comparison to remove the effects of currency fluctuations from the analysis. We believe these constant currency measures, which are considered to be non-GAAP measures, provide a more meaningful analysis of our business by identifying the underlying business trend, without distortion from the effect of foreign currency fluctuations.

Company-operated comparable sales growth refers to comparable sales growth for Company-operated restaurants and franchised comparable sales growth refers to comparable sales growth for franchised restaurants. We believe comparable sales growth is a key indicator of our performance, as influenced by our strategic initiatives and those of our competitors.

Average Restaurant Sales

Average restaurant sales, or "ARS," is an important measure of the financial performance of our systemwide restaurants and changes in the overall direction and trends of sales. ARS is calculated by dividing the sales for the relevant period by the arithmetic mean of the number of restaurants at the beginning and end of such period. ARS is influenced mostly by comparable sales performance and restaurant openings and closures. As ARS is provided in nominal terms, it is affected by movements in foreign currency exchange rates.

Sales Growth and sales growth in constant currency

Sales growth refers to the change in sales by all restaurants, whether operated by us or by sub-franchisees, from one period to another. We present sales growth both in nominal terms and on a constant currency basis, which means the latter is calculated by converting sales in local currencies, including the Argentine *peso* and Venezuelan *bolívar*, to U.S. dollar using the same exchange rate over the periods under comparison to remove the effects of currency fluctuations from the analysis.

Adjusted EBITDA

We use Adjusted EBITDA to facilitate operating performance comparisons from period to period. Adjusted EBITDA is defined as our operating income (loss) plus depreciation and amortization plus/minus the following losses/gains included within other operating income (expenses), net, and within general and administrative expenses in our statement of income: gains from sales, insurance recovery and contribution in equity method investments of property and equipment; write-offs of property and equipment; impairment of long-lived assets and goodwill and reorganization and optimization plan expenses. See "Item 3. Key Information—A. Selected Financial Data."

We believe Adjusted EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations such as capital structures (affecting net interest expense and other financial charges), taxation (affecting income tax expense) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense), which may vary for different companies for reasons unrelated to operating performance. In addition, we exclude gains from sales, insurance recovery and contribution in equity method investments of property and equipment not related to our core business; write-offs of property and equipment, impairment of long-lived assets and goodwill that do not result in cash payments and reorganization and optimization plan expenses. While a GAAP measure for purposes of our segment reporting, Adjusted EBITDA is a non-GAAP measure for reporting our total Company performance. Our management believes, however, that disclosure of Adjusted EBITDA provides useful information to investors, financial analysts and the public in their evaluation of our operating performance.

Systemwide data

Systemwide data represents measures for both Company-operated and franchised restaurants. While sales by sub-franchisees are not recorded as revenues by us, management believes the information is important in understanding our financial performance because these sales are the basis on which we calculate and record franchised restaurant revenues and are indicative of the financial health of our franchisee base. Systemwide results are driven primarily by our Company-operated restaurants, as 69.8% of our systemwide restaurants are Company-operated as of December 31, 2021.

Foreign Currency Translation

The financial statements of our foreign operating subsidiaries are translated in accordance with guidance in ASC 830, Foreign Currency Matters. Except for our Venezuelan and Argentine operations, the functional currencies of our foreign operating subsidiaries are the local currencies of the countries in which we conduct our operations. Therefore, the assets and

liabilities of these subsidiaries are translated into U.S. dollars at the exchange rates as of the balance sheet date, and revenues and expenses are translated at the average exchange rates prevailing during the period. Translation adjustments are included in the "Accumulated other comprehensive loss" component of shareholders' equity. We record foreign currency exchange results related to monetary assets and liabilities transactions, including intercompany transactions, denominated in currencies other than our functional currencies in our consolidated statement of income (loss).

Under U.S. GAAP, an economy is considered to be highly inflationary when its three-year cumulative rate of inflation meets or exceeds 100%. Since January 1, 2010 and July 1, 2018, Venezuela and Argentina, respectively, were considered to be highly inflationary, and as such, the financial statements of each of these subsidiaries are remeasured as if its functional currency was the reporting currency of the relevant subsidiary's immediate parent company (U.S. dollars for Venezuelan operations and Brazilian *reais* for Argentine operations from July 2018 to June 2020 and U.S. dollars since July 2020, as a result of a change in the subsidiary's immediate parent company). As a result, remeasurement gains and losses are recognized in earnings rather than in the cumulative translation adjustment component of "Accumulated other comprehensive income" within shareholders' equity. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls" for information regarding exchange rates for the Argentine currencies.

Venezuela

The Company conducts business in Venezuela where currency restrictions have been in place for several years under different currency exchange regulations. Although during 2019, the Central Bank of Venezuela loosened those restrictions by permitting financial institution to participate as intermediaries in foreign currency operations, the Company's ability to immediately access cash through repatriations continues to be limited.

Revenues and operating loss of the Venezuelan operations were $8.337 million and $4.239 million, respectively, for fiscal year 2021; $4.494 million and $7.712 million, respectively, for fiscal year 2020; and $10.184 million and $8.240 million, respectively, for fiscal year 2019.

As of December 31, 2021, the Company did not have a material monetary position, which would be subject to remeasurement in the event of further changes in the exchange rate. In addition, Venezuela's non-monetary assets were $10.1 million (mainly fixed assets).

In addition to exchange controls, the Venezuelan market is subject to price controls. The Venezuelan government issued a regulation establishing a maximum profit margin for companies and maximum prices for certain goods and services.

During August 2021, the Government announced the removal of six zeros from the Sovereign *Bolivar* (VES), effective October 1, 2021.

The Company's Venezuelan operations, continue to be impacted by the country's macroeconomic volatility, including the ongoing highly inflationary environment. Additionally, the operations could be further affected by more stringent controls on foreign currency exchange, pricing, payments, profits or imports, the continued migration or the high level of unemployment. The Company continues to closely monitor developments in this dynamic environment, to assess evolving business risks and actively manage its operations in Venezuela.

Critical Accounting Estimates

This management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. On an ongoing basis, we evaluate our estimates and judgments based on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under varying assumptions or conditions.

We consider an accounting estimate to be critical if:

- the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and
- the impact of the estimates and assumptions on our financial condition or operating performance is material.

We believe that of our significant accounting policies, the following encompass a higher degree of judgment and/or complexity.

Depreciation of Property and Equipment

Accounting for property and equipment involves the use of estimates for determining the useful lives of the assets over which they are to be depreciated. We believe that the estimates we make to determine an asset's useful life are critical accounting estimates because they require our management to make estimates about technological evolution and competitive uses of assets. We depreciate property and equipment on a straight-line basis over their useful lives based on management's estimates of the period over which these assets will generate revenue (not to exceed the lease term plus renewal options for leased property). The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. We periodically review these lives relative to physical factors, economic considerations and industry trends. If there are changes in the planned use of property and equipment, or if technological changes occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense or write-offs in future periods. No significant changes to useful lives have been recorded in the past. A significant change in the facts and circumstances that we relied upon in making our estimates may have a material impact on our operating results and financial condition.

Impairment of Long-Lived Assets and Goodwill

We review long-lived assets (including property and equipment, intangible assets with definite useful lives and lease right of use assets, net) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We review goodwill for impairment annually, primarily during the fourth quarter, or when an impairment indicator exists. In assessing the recoverability of our long-lived assets and goodwill, we consider changes in economic conditions and make assumptions regarding, among other factors, estimated future cash flows by market and by restaurant, discount rates by country and the fair value of the assets. Estimates of future cash flows are highly subjective judgments based on our experience and knowledge of our operations. These estimates can be significantly impacted by many factors, including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. A key assumption impacting estimated future cash flows is the estimated change in comparable sales.

See Note 3 to our consolidated financial statements for a detail of markets for which we performed impairment tests of our long-lived assets and goodwill, as well as impairment charges recorded.

If our estimates or underlying assumptions change in the future, we may be required to record additional impairment charges.

Accounting for Taxes

We record a valuation allowance to reduce the carrying value of deferred tax assets if it is more likely than not that some portion or all of our deferred assets will not be realized. Our valuation allowance as of December 31, 2021, 2020 and 2019 amounted to $186.2 million, $235.2 million and $194.4 million, respectively. We have considered future taxable income and ongoing prudent and feasible tax strategies in assessing the need for the valuation allowance. This assessment is carried out on the basis of internal projections, which are updated to reflect our most recent operating trends, such as the expiration date for tax loss carryforwards. Because of the imprecision inherent in any forward-looking data, the further into the future our estimates project, the less objectively verifiable they become. Therefore, we apply judgment to define the period of time to include projected future income to support the future realization of the tax benefit of an existing deductible temporary difference or carryforward and whether there is sufficient evidence to support the projections at a more-likely-than-not level for this period of time. Determining whether a valuation allowance for deferred tax assets is necessary often requires an extensive analysis of positive (e.g., a history of accurately projecting income) and negative evidence (e.g., historic operating losses) regarding realization of the deferred tax assets and inherent in that, an assessment of the likelihood of sufficient future taxable income. In 2021, we recognized net gain amounting to $36.6 million as compared to net loss amounting to $46.2 million in 2020 and net gain of $23.9 million in 2019. If these estimates and assumptions change in the future, we may be required to adjust the valuation allowance. This could result in a charge to, or an increase in, income in the period this determination is made.

In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. The Company assesses the likelihood of any adverse judgments or outcomes on its tax positions, including income tax and other taxes, based on the technical merits of a tax position derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position.

As of December 31, 2021, there are certain matters related to the interpretation of income tax laws which could be challenged by tax authorities in an amount of $176.7 million, related to assessments for the fiscal years 2009 to 2016. No formal claim has been made for fiscal years within the statute of limitation by tax authorities in any of the mentioned matters; however, those years are still subject to audit and claims may be asserted in the future.

It is reasonably possible that, as a result of audit progression within the next 12 months, there may be new information that causes the Company to reassess its tax positions because the outcome of tax audits cannot be predicted with certainty. While the Company cannot estimate the impact that new information may have on its unrecognized tax benefit balance, it believes that the liabilities recorded are appropriate and adequate as determined under ASC 740.

Provision for Contingencies

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. Accounting for contingencies involves the use of estimates for determining the probability of each contingency and the estimated amount to settle the obligation, including related costs. We accrue liabilities when it is probable that future costs will be incurred and the costs can be reasonably estimated. The accruals are based on all the information available at the issuance date of the financial statements, including our estimates of the outcomes of these matters and our lawyers' experience in contesting, litigating and settling similar matters. If we are unable to reliably measure the obligation, no provision is recorded and information is then presented in the notes to our consolidated financial statements. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs. Because of the inherent uncertainties in this estimation, actual expenditures may be different from the originally estimated amount recognized. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings" for a description of significant claims, lawsuits and other proceedings.

See Note 18 to our consolidated financial statements.

Results of Operations

We have based the following discussion on our consolidated financial statements. You should read it along with these financial statements, and it is qualified in its entirety by reference to them.

In a number of places in this annual report, in order to analyze changes in our business from period to period, we present our results of operations and financial condition on a constant currency basis, which is considered to be a non-GAAP measure. Constant currency results isolate the effects of foreign exchange rates on our results of operations and financial condition. In particular, we have isolated the effects of appreciation and depreciation of local currencies in the Territories against the U.S. dollar because we believe that doing so is useful in understanding the development of our business. For these purposes, we eliminate the effect of movements in the exchange rates by converting the balances in local currency for both periods being compared from their local currencies to the U.S. dollar using the same exchange rate.

Key Business Measures

The following tables present sales, sales growth, sales growth on a constant currency basis, comparable sales growth and average restaurant sales increases/(decreases):

	Sales			Sales growth		Sales growth in constant currency		Comparable sales growth[1]	
	For the Years Ended December 31,			For the Years Ended December 31,		For the Years Ended December 31,		For the Years Ended December 31,	
	2021	2020	2019	2021[2]	2020[4]	2021[2]	2020[4]	2021[3]	2020[5]
	(in thousands of U.S. dollars, except percentages)								
Sales by Company-operated restaurants	2,543,907	1,894,618	2,812,287	34.3 %	(32.6) %	47.3 %	(16.3) %	45.6 %	(19.1) %
Franchised sales(6)	938,243	740,044	1,189,533	26.8 %	(37.8) %	45.8 %	(14.0) %	46.7 %	(13.2) %
Systemwide sales	**3,482,150**	**2,634,662**	**4,001,820**	**32.2 %**	**(34.2) %**	**46.9**	**(15.6) %**	**45.9 %**	**(17.4) %**

(1) Comparable sales is a key performance indicator used within the retail industry and is indicative of the success of our initiatives as well as local economic, competitive and consumer trends. Comparable sales are driven by changes in traffic and average check, which is affected by changes in pricing and product mix. Increases or decreases in comparable sales represent the percent change in sales from the prior year for all restaurants in operation for at least thirteen months, including those temporarily closed. With respect to restaurants where there are changes in ownership, all previous months' sales are reclassified according to the new ownership category when reporting comparable sales.

(2) In nominal terms, sales increased during 2021 due to comparable sales growth of 45.9%, as a result of the increase in average check and the recovery in traffic in all divisions, due to the increase in mobility and the reduction of restrictions to our operations related to the COVID-19 pandemic. We had 1,579 Company-operated restaurants and 682 franchised restaurants as of December 31, 2021, compared to 1,576 Company-operated restaurants and 660 franchised restaurants as of December 31, 2020.

(3) Our comparable sales increase on a systemwide basis in 2021 was driven by the increase of average check in all markets other than Panama, together with the increase in traffic recovery in all divisions, which resulted mainly from lower operational restrictions at our restaurants related to the COVID-19 pandemic, and higher mobility.

(4) In nominal terms, sales decreased during 2020 due to the negative impact of the depreciation of currencies mainly in Brazil, Venezuela and Argentina against the U.S. dollar and due to a 17.4% decrease in comparable sales, mainly as a result of the COVID-19 pandemic, which affected traffic in all divisions. We had 1,576 Company-operated restaurants and 660 franchised restaurants as of December 31, 2020, compared to 1,580 Company-operated restaurants and 713 franchised restaurants as of December 31, 2019.

(5) Our comparable sales decrease on a systemwide basis in 2020 was driven by the decline in traffic due to the COVID-19 pandemic in the Territories. Venezuela was the only market that ended the period with positive comparable sales, which resulted mainly from price increases driven by the hyperinflation.

(6) Franchised sales correspond to sales generated by franchised restaurants, which we do not collect. Revenues from franchised restaurants primarily consist of rental income.

By division

	Sales			Sales growth		Sales growth in constant currency		Comparable sales growth	
	For the Years Ended December 31,			For the Years Ended December 31,		For the Years Ended December 31,		For the Years Ended December 31,	
	2021	2020	2019	2021	2020	2021	2020	2021	2020
	(in thousands of U.S. dollars, except percentages)								
Sales by Company-operated restaurants:									
Brazil	$ 921,821	$ 795,228	$ 1,283,005	15.9 %	(38.0) %	21.5 %	(20.6) %	19.2 %	(22.4) %
NOLAD	759,030	570,063	648,315	33.1 %	(12.1) %	31.9 %	(10.7) %	30.5 %	(17.6) %
SLAD	863,056	529,327	880,967	63.0 %	(39.9) %	102.5 %	(14.1) %	101.5 %	(15.4) %
Total Sales by Company-operated restaurants	2,543,907	1,894,618	2,812,287	34.3 %	(32.6) %	47.3 %	(16.3) %	45.6 %	(19.1) %
Franchised-sales:(3)									
Brazil	641,038	540,974	834,653	18.5 %	(35.2) %	24.3 %	(17.0) %	22.1 %	(20.7) %
NOLAD	168,652	121,350	227,418	39.0 %	(46.6) %	34 %	(43.6) %	45.6 %	(29.1) %
SLAD	128,553	77,720	127,462	65.4 %	(39.0) %	213.8 %	57.7 %	228.4 %	65.2 %
Total Franchised sales	938,243	740,044	1,189,533	26.8 %	(37.8) %	45.8 %	(14.0) %	46.7 %	(13.2) %
Systemwide sales:									
Brazil	1,562,859	1,336,202	2,117,658	17.0 %	(36.9) %	22.6 %	(19.2) %	20.4 %	(21.8) %
NOLAD	927,682	691,413	875,733	34.2 %	(21.0) %	32.3 %	(19.3) %	33.2 %	(19.8) %
SLAD	991,609	607,047	1,008,429	63.3 %	(39.8) %	116.7 %	(5) %	117.1 %	(6) %
Total Systemwide sales	3,482,150	2,634,662	4,001,820	32.2 %	(34.2) %	**46.9 %**	**(15.6) %**	**45.9 %**	**(17.4) %**

	Sales			Number of restaurants			Average restaurant sales	
	For the Years Ended December 31,			For the Years Ended December 31,			For the Years Ended December 31,	
	2021	2020	2019	2021	2020	2019	2021(1)	2020(2)
	(in thousands of U.S. dollars, except for number of restaurants)							
Sales by Company-operated restaurants	$ 2,543,907	$ 1,894,618	$ 2,812,287	1,579	1,576	1,580	$ 1,611	$ 1,202
Franchised sales(3)	938,243	740,044	1,189,533	682	660	713	1,376	1,121
Systemwide sales	**3,482,150**	**2,634,662**	**4,001,820**	**2,261**	**2,236**	**2,293**	**1,540**	**1,178**

(1) Our average restaurant sales ("ARS") increased in 2021 due to an increase in traffic as a result of lower lockdowns and more permissive measures regarding capacity due to the COVID-19 pandemic in all divisions compared to 2020 and an average check growth of 23.6% mainly driven by Venezuela's hyperinflation and high inflation in Argentina. This was partially offset by the negative impact of the depreciation of currencies, mainly in Venezuela, Argentina and Brazil.

(2) Our ARS decreased in 2020 due to a decrease in traffic as a result of the negative impact of the depreciation of currencies, mainly in Venezuela, Argentina and Brazil, against the U.S. dollar and lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic in all divisions. This was partially offset by an average check growth of 42.5%, mainly driven by Venezuela's hyperinflation and high inflation in Argentina.

(3) Franchised sales correspond to sales generated by franchised restaurants, which we do not collect. Revenues from franchised restaurants primarily derive from rental income.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Set forth below are our results of operations for the years ended December 31, 2021 and 2020.

	For the Years Ended December 31,		% Change
	2021	2020	
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	$ 2,543,907	$ 1,894,618	34.3 %
Revenues from franchised restaurants	116,034	89,601	29.5 %
Total revenues	**2,659,941**	**1,984,219**	**34.1 %**
Company-operated restaurant expenses:			
Food and paper	(899,077)	(677,087)	32.8 %
Payroll and employee benefits	(482,608)	(413,074)	16.8 %
Occupancy and other operating expenses	(772,169)	(624,154)	23.7 %
Royalty fees	(131,401)	(110,957)	18.4 %
Franchised restaurants – occupancy expenses	(50,627)	(43,512)	16.4 %
General and administrative expenses	(210,909)	(171,382)	23.1 %
Other operating income (expenses), net	26,369	(10,807)	344.0 %
Total operating costs and expenses	**(2,520,422)**	**(2,050,973)**	**22.9 %**
Operating income (loss)	**139,519**	**(66,754)**	**309.0 %**
Net interest expense	(49,546)	(59,068)	(16.1) %
Loss from derivative instruments	(5,183)	(2,297)	125.6 %
Gain from securities	—	25,676	(100.0) %
Foreign currency exchange results	(9,189)	(31,707)	(71.0) %
Other non-operating income, net	2,185	2,296	(4.8) %
Income (Loss) before income taxes	**77,786**	**(131,854)**	**159.0 %**
Income tax expense	(31,933)	(17,532)	82.1 %
Net income (loss)	**45,853**	**(149,386)**	**130.7 %**
Less: Net income attributable to non-controlling interests	(367)	(65)	464.6 %
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**45,486**	**(149,451)**	**130.4 %**

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2021 and 2020.

Systemwide Restaurants	For the Years Ended December 31,	
	2021	2020
Systemwide restaurants at beginning of period	2,236	2,293
Restaurant openings	46	9
Restaurant closings	(21)	(66)
Systemwide restaurants at end of period	2,261	2,236

Company-Operated Restaurants	For the Years Ended December 31,	
	2021	2020
Company-operated restaurants at beginning of period	1,576	1,580
Restaurant openings	32	3
Restaurant closings	(12)	(56)
Net conversions of franchised restaurants to Company-operated restaurants	(17)	49
Company-operated restaurants at end of period	1,579	1,576

Franchised Restaurants	For the Years Ended December 31,	
	2021	2020
Franchised restaurants at beginning of period	660	713
Restaurant openings	14	6
Restaurant closings	(9)	(10)
Net conversions of franchised restaurants to Company-operated restaurants	17	(49)
Franchised restaurants at end of period	682	660

Revenues

	For the Years Ended December 31,			
	2021	2020	% Change	
	(in thousands of U.S. dollars)			
Sales by Company-operated restaurants				
Brazil	$ 921,821	$ 795,228	15.9	%
NOLAD	759,030	570,063	33.1	%
SLAD	863,056	529,327	63.0	%
Total	**2,543,907**	**1,894,618**	**34.3**	**%**
Revenues from franchised restaurants				
Brazil	80,960	67,520	19.9	%
NOLAD	21,836	14,583	49.7	%
SLAD	13,238	7,498	76.6	%
Total	**116,034**	**89,601**	**29.5**	**%**
Total revenues				
Brazil	1,002,781	862,748	16.2	%
NOLAD	780,866	584,646	33.6	%
SLAD	876,294	536,825	63.2	%
Total	**2,659,941**	**1,984,219**	**34.1**	**%**

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants increased by $649.3 million, or 34.3%, from $1,894.6 million in 2020 to $2,543.9 million in 2021. This increase was mainly driven by the increase in traffic in the Territories, as a result of higher mobility and more permissive measures regarding capacity due to the COVID-19 pandemic compared to 2020, together with the increase in average check in all divisions, both of which led to an increase in comparable sales by Company-operated restaurants of $856.6 million. In addition, the conversion of 32 franchised restaurants into Company-operated restaurants, the opening of 35 Company-operated restaurants and the closure of 68 Company-operated restaurants since January 1, 2020, contributed $38.8 million to sales. This was partially offset by the depreciation of currencies against the U.S. dollar, which resulted in a $246.1 million sales decline, mainly in Argentina, Venezuela and Brazil.

In Brazil, sales by Company-operated restaurants increased by $126.6 million, or 15.9%, to $921.8 million. This was primarily due to an increase of comparable sales of 19.2%, as a result of the increase in average check, mainly related to price increases and product mix, together with higher traffic explained by higher mobility and fewer restrictions on our operations at our restaurants due to the COVID-19 pandemic compared to 2020, which resulted in a sales increase of $152.3 million. In addition, 19 net restaurants openings since January 1, 2020 resulted in a $18.7 million increase in sales. This was partially offset by the depreciation of the Brazilian *real* against the U.S. dollar, which resulted in a sales decrease of $44.4 million.

In NOLAD, sales by Company-operated restaurants increased by $189.0 million, or 33.1%, to $759.0 million. This was a due to an increase of comparable sales of 30.5%, driven by the increase in traffic as a result of higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, which resulted in a sales increase of $171.6 million. The conversion of 25 franchised restaurants into Company-operated restaurants, the opening of 1 Company-operated restaurant and the closing of 29 Company-operated restaurants since January 1, 2020, contributed $10.4 million to sales. In addition, the appreciation of local currencies had a positive impact of $7.0 million in sales.

In SLAD, sales by Company-operated restaurants increased by $333.7 million, or 63.0%, to $863.1 million. This was the result of both an increase in the average check and higher traffic in the SLAD division that led to an increase in comparable sales of $532.7 million. Average check increase was related to price increases in all Territories, but particularly in Argentina and Venezuela where it was driven by the hyperinflation. Traffic increased as a result of higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020. In addition, the conversion of 7 franchised restaurants into Company-operated restaurants, the opening of 8 Company-operated restaurants and closure of 32 Company-operated restaurants since January 1, 2020 contributed $9.7 million to the increase in sales. This was partially offset by the depreciation of currencies against the U.S. dollar, in particular the Argentine *peso* and the Venezuelan *bolívar*, which caused sales to decrease by $208.7 million.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants increased by $26.4 million, or 29.5%, from $89.6 million in 2020 to $116.0 million in 2021. The increase in revenues was mainly driven by an increase in comparable sales due to higher average check and higher traffic in the Territories as a result of higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, which caused revenues to increase by $41.3 million. In addition, the increase in rent income improved revenues from franchised restaurants of $2.4 million. This was partially offset by the depreciation of currencies against the U.S. dollar, which caused revenues to decrease by $16.9 million, coupled with the conversion of 32 franchised restaurants into Company-operated restaurants, partially offset by the net opening of 1 franchised restaurant since January 1, 2020, which decreased revenues by $0.3 million.

In Brazil, revenues from franchised restaurants increased by $13.4 million, or 19.9%, to $81.0 million, was mainly driven by an increase in comparable sales of 22.1% due to an increase in traffic and average check as a result of higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, which increased revenues by $15.0 million. Additionally, the net opening of 9 franchised restaurants, since January 1, 2020, caused revenues from franchised restaurants to increase by $1.6 million. The increase in rental income as a percentage of sales contributed $0.8 million to revenues. This was partially offset by the depreciation of the real against the U.S. dollar, which decreased revenues by $4.0 million.

In NOLAD, revenues from franchised restaurants increased by $7.3 million, or 49.7%, to $21.8 million. This increase was driven by an increase in comparable sales of 45.6% related to the recovery of traffic in the Territories as a result of higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, which resulted in a $7.2 million increase in revenues. This was coupled with an increase in rental income as percentage of sales that contributed $1.0 million to sales. In addition, the appreciation of local currencies had a positive impact of $0.8 million. This was partially offset by the conversion of 25 franchised restaurants into Company-operated restaurants, the opening of 2 franchised restaurants and the closing of 4 franchised restaurants since January 1, 2020 that caused revenues to decrease by $1.8 million.

In SLAD, revenues from franchised restaurants increased by $5.7 million, or 76.6%, to $13.2 million. This increase was driven by an increase in comparable sales of 228.4% due to an increase in average check, highly driven by hyperinflation in Venezuela and Argentina, and due to a recovery in traffic as a result of higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, which resulted in a $19.0 million increase in revenues. This was coupled with an increase in rental income as a percentage of sales, which contributed $0.5 million to revenues. In addition, the depreciation of currencies against the U.S. dollar in the division represented a decrease in revenues of $13.8 million.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs increased by $222.0 million, or 32.8%, to $899.1 million in 2021, as compared to 2020. As a percentage of our total sales by Company-operated restaurants, food and paper costs decreased 0.4 percentage points to 35.3%. This improvement in gross margin is explained by improvements in product mix both in NOLAD and SLAD, together with higher price increases than costs increases in those divisions.

In Brazil, food and paper costs increased by $47.2 million, or 16.8%, to $327.7 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 0.3 percentage points to 35.6%, primarily as a result of important cost increases that could not be fully transferred to prices in the division.

In NOLAD, food and paper costs increased by $61.5 million, or 30.3%, to $264.3 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 0.8 percentage points to 34.8%. The decline in food and paper costs in NOLAD were primarily driven by higher price increases than cost increases in Mexico and Puerto Rico, a favorable product mix in Puerto Rico, Costa Rica and Panama and improved inventory and waste management in Mexico and Panama.

In SLAD, food and paper costs increased by $113.3 million, or 58.5%, to $307.1 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 1.0 percentage points to 35.6%, mainly due to higher price increases than cost increases particularly in Colombia, where the temporary VAT elimination from June 2020 to December 2021 had a positive impact in sales while some costs are permanently exempt from VAT, and Uruguay. Additionally, the division improved its inventory and waste management, that coupled with a favorable product mix could decrease the food and paper cost over sales.

Payroll and Employee Benefits

Our total payroll and employee benefits costs increased by $69.5 million, or 16.8%, to $482.6 million in 2021, as compared to 2020. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs decreased 2.8 percentage points to 19.0%. The decrease was mostly attributable to lower management payroll as a percentage of sales in every division, lower crew payroll due to an average check increase above regular crew hour rates in most markets. This was partly offset by lower productivity in main markets.

In Brazil, payroll and employee benefits costs decreased by $1.3 million, or 0.7%, to $182.4 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased by 3.3 percentage points to 19.8%, mainly as a result of a decrease in management payroll cost as a percentage of sales due to the increase in sales, coupled with operational efficiencies. In addition, crew payroll decrease as a percentage of sales due to an average check increase above regular crew hour rates. This was partly offset by lower productivity.

In NOLAD, payroll and employee benefits costs increased by $31.2 million, or 25.8%, to $152.3 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased by 1.2 percentage points to 20.1%, mainly due to a decrease in management payroll cost as a percentage of sales due to the increase in sales mainly in Mexico and Puerto Rico. In addition, slight decreases in crew payroll as percentage of sales were due to an average check increase above regular crew hour rates in Mexico and Costa Rica and higher productivity in Panama. This was partly offset by lower productivity in Mexico and Costa Rica and regular crew hour rates increase above average check in Puerto Rico.

In SLAD, payroll and employee benefits costs increased by $39.6 million, or 36.6%, to $147.9 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits decreased by 3.3 percentage points to 17.1%. This is mainly explained by a decrease in management payroll cost as a percentage of sales due to the increase in sales mainly in Chile and Argentina. In addition, decreases in crew payroll as percentage of sales were due to an average check increase above regular crew hour rates in Chile and Uruguay.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses increased by $148.0 million, or 23.7%, to $772.2 million in 2021, as compared to 2020. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses decreased 2.6 percentage points to 30.4%, mainly as a consequence of the increase in sales due to higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, which led to higher absorption of fixed costs. Depreciation and amortization expenses decreased as a percentage of sales, and there were lower utilities and IT expenses in all divisions. This was partially offset by an increase in advertising and promotion expenses by 1.0 percentage point of sales in every market compared to 2020 due to an agreement with McDonald's to reduce our advertising and promotion spending from 5% to 4% of our gross sales for the year 2020, coupled with higher maintenance and repair expenses in Brazil and NOLAD.

In Brazil, occupancy and other operating expenses increased by $24.4 million, or 9.4%, to $282.7 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased by 1.8 percentage points to 30.7%, due to higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, which led to higher sales that had a positive impact on the absorption of fixed costs, mainly utilities, IT and maintenance and repair expenses and depreciation and amortization.

In NOLAD, occupancy and other operating expenses increased by $43.5 million, or 23.8%, to $226.4 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased by 2.3 percentage points to 29.8% due to higher absorption of fixed costs, such as utilities expenses and IT expenses due to the increase in sales related to higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, coupled with lower depreciation and amortization expenses in the division. This was partially offset by higher maintenance and repair expenses in Mexico and Puerto Rico.

In SLAD, occupancy and other operating expenses increased by $79.8 million, or 43.5%, to $263.4 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased by 4.2 to 30.5%, due to an increase in sales as a result of higher mobility and more permissive measures regarding capacity at our restaurants due to the COVID-19 pandemic compared to 2020, which had a positive impact on fixed costs absorption such as utilities, IT services, insurance, maintenance and repair expenses. Additionally, delivery expenses decreased as a percentage of division's sales as other sales channels, such as front counter and dessert centers, increased their participation in 2021. Also, there were lower depreciation and amortization.

Royalty Fees

Our total royalty fees increased by $20.4 million, or 18.4%, to $131.4 million in 2021, as compared to 2020. As a percentage of sales, royalty fees decreased by 0.7 percentage points to 5.2%. mainly due to the growth support funding from McDonald's Corporation provided in 2021.

In Brazil, royalty fees decreased by $11.2 million, or 24.2%, to $35.1 million in 2021. As a percentage of sales, royalty fees decreased 2.0 percentage points to 3.8% due to the growth support funding that McDonald's Corporation provided in 2021.

In NOLAD, royalty fees increased by $11.1 million, or 32.8%, to $44.8 million in 2021, as compared to 2020. As a percentage of sales, royalty fees remained flat.

In SLAD, royalty fees increased by $20.6 million, or 66.6%, to $51.6 million in 2021, as compared to 2020. As a percentage of sales, royalty fees increased by 0.1 percentage points to 6.0%, due to the temporary elimination of VAT in Colombia from June 2020 to December 2021 that implied recording the tax credit as an expense.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants increased by $7.1 million or 16.4%, to $50.6 million in 2021, as compared to 2020, mainly due to the gain recorded in 2020 related to the settlement agreement with the remaining Puerto Rican franchisees in the market and the subsequent conversion of all restaurants in this market to Company-operated restaurants, and higher outside rent expenses. This was partially offset by depreciation of currencies, especially in Venezuela, Brazil and Argentina against the U.S. dollar.

In Brazil, occupancy expenses from franchised restaurants decreased by $0.8 million, or 2.2%, to $35.9 million in 2021, as compared to 2020, primarily due to the depreciation of the Brazilian *real* against the U.S. dollar. This was partially offset by an increase in outside rent and other franchise expenses.

In NOLAD, occupancy expenses from franchised restaurants increased by $5.9 million, or 193.7%, to $9.0 million in 2021, as compared to 2020, mainly due to the gain recorded in 2020 related to the settlement agreement with the remaining Puerto Rican franchisees in the market and the subsequent conversion of all restaurants in this market to Company-operated restaurants and higher rent expenses for leased properties, as a consequence of the increase in comparable sales from franchised restaurants in Mexico and Panama. In addition, appreciation of currencies against the U.S. dollar increased expenses from franchised restaurants.

In SLAD, occupancy expenses from franchised restaurants increased by $2.0 million, or 52.2%, to $5.7 million in 2021, as compared to 2020, mainly due to higher rent expenses for leased properties, as a consequence of the increase in comparable sales from franchised restaurants and higher allowances for bad debt. This was partially offset by the depreciation of the Argentinean *peso* and Venezuelan *bolívar* against the U.S. dollar.

Set forth below are the margins for our franchised restaurants in 2021, as compared to 2020. The margin for our franchised restaurants is expressed as a percentage and is equal to the difference between revenues from franchised restaurants and occupancy expenses from franchised restaurants, divided by revenues from franchised restaurants.

	For the Years Ended December 31,	
	2021	**2020**
Brazil	55.7%	45.7%
NOLAD	58.7%	79.0%
SLAD	56.8%	49.9%
Total	**56.4%**	**51.4%**

General and Administrative Expenses

General and administrative expenses increased by $39.5 million, or 23.1%, to $210.9 million in 2021. This is explained by the increase of expenses in Venezuela of $0.2 million and higher expenses in Brazil, NOLAD and the other markets of SLAD division of $57.2 million, mainly related to higher variable compensation, severance payment and payroll expenses, together with an increase in outside service expenses. This was partially offset by the depreciation of currencies, especially the Argentine *peso* and the Brazilian *real*, that contributed $17.9 million to the reduction in general and administrative expenses.

In Brazil, general and administrative expenses increased by $3.3 million, or 6.7%, to $52.0 million in 2021, as compared to 2020. The increase resulted mainly from severances and bonuses and other variable compensation amounting to $2.5 million and $2.4 million, respectively. In addition, higher outside services for $0.9 million, together with higher payroll expenses for $0.5 million and other expenses for $0.1 million. This was partially offset by lower occupancy expenses for an amount of $0.4 million and travel expenses for $0.1 million. Additionally, the depreciation of the Brazilian *real* against the U.S. dollar reduced general and administrative expenses in $2.6 million.

In NOLAD, general and administrative expenses increased by $6.2 million, or 18.1%, to $40.6 million in 2021, as compared to 2020. This increase is a result of higher bonuses and other variable compensation amounting to $2.8 million and higher severance expenses of $2.1 million, and to a lesser extent due to the increase in payroll expenses amounting to $0.1 million. NOLAD division also showed higher travel and outside service expenses of $0.4 million and $0.3 million, respectively. These effects were partially offset by lower occupancy expenses for an amount of $0.2 million. The appreciation of the Mexican *peso* and the Euro, and the depreciation of the Costa Rican *colon* against the U.S. dollar increased general and administrative expenses in $0.8 million.

In SLAD, general and administrative expenses increased by $7.3 million, or 22.2%, to $40.6 million in 2021, as compared to 2020. Despite the sharp currency depreciation of the Venezuelan *bolívar*, Venezuela experienced an increase of general and administrative expenses of $0.2 million, mainly related to higher payroll expenses. Moreover, in the other markets of SLAD division, general and administrative expenses increased by $7.1 million in 2021, as compared to 2020. This increase is mainly explained by bonuses and other variable compensation amounting to $3.8 million, together with higher payroll amounting to $2.9 million, mainly in Argentina due to its inflationary environment, and higher outside services amounting to $2.3 million. In addition, there were higher severance expenses amounting to $1.9 million and travel and other expenses amounting to $0.8 million. This was partially offset by the depreciation of various currencies against the U.S. dollar, mainly the Argentine *peso*, amounting to $4.7 million.

General and administrative expenses for corporate and others increased by $22.7 million, or 41.2%, to $77.8 million in 2021, as compared to 2020. This increase is mainly related to Argentina's inflation, as a portion of our corporate expenses are nominated in Argentine *pesos*. There were higher bonuses and other variable compensations for an amount of $9.8 million, higher outside services for $7.2 million and higher payroll expenses of $6.7 million, together with severance expenses of $5.7 million. In addition, there were higher other expenses and travel expenses for $4.4 million and $0.6 million, respectively. This was partially offset by lower occupancy expenses of $0.4 million and the depreciation of currencies against the U.S. dollar, especially the Argentine *peso* and the Brazilian *real*, amounting to $11.4 million.

Other Operating Income (Expenses), net

Other operating income (expense), net increased by $37.2 million, to a gain of $26.4 million in 2021 from a loss of $10.8 million in 2020. This increase was primarily attributable to gains on tax credits recognized in Brazil amounting to $18.5 million and to gains on contribution of businesses to an equity method investment amounting to $8.5 million, a decrease, in comparison to 2020, of about $6.1 million in impairment of long-lived assets charges and of about $3.8 million in inventory write-off due to lower food waste caused by the closing of our restaurant at the beginning of the COVID-19 pandemic in the region.

Operating Income (Loss)

	For the Years Ended December 31,		
	2021	2020	%Change
	(in thousands of U.S. dollars)		
Brazil	$ 117,887	$ 16,121	631.3 %
NOLAD	48,785	30	162,516.7 %
SLAD	48,614	(28,842)	268.6 %
Corporate and other and purchase price allocation	(75,767)	(54,063)	(40.1) %
Total	**139,519**	**(66,754)**	**309.0 %**

Operating income (loss) increased by $206.3 million, or 309%, to a gain of $139.5 million in 2021 from a loss of $66.8 million in 2020, as a result of the foregoing.

Net Interest Expense

Net interest expense decreased by $9.5 million, or 16.1%, to $49.5 million in 2021, as compared to 2020. The decrease was primarily explained by higher interest income due to short term investment in markets of about $15.7 million, partially offset by higher interest expense due to the aggregate principal amount of 2027 notes issued during September 2020, amounting to $12 million. Additionally, there was a reduction in 2023 notes interest expense of $5.7 million due to the exchange of 2023 Notes for 2027 Notes in 2020.

Loss from Derivative Instruments

Loss from derivative instruments increased by $2.9 million to a loss of $5.2 million in 2021, from a loss of $2.3 million in 2020, attributable to the results of derivatives instruments not designated as hedge accounting.

Gain from Securities

Gain from securities was zero in the full year ended December 31, 2021.

Foreign Currency Exchange Results

Foreign currency exchange loss decreased by $22.5 million, from a loss of $31.7 million in 2020 to a loss of $9.2 million in 2021. The variation was primarily attributable to the impact of a lower depreciation of the Brazilian *reais* of 7% in comparison with 29% in 2020.

Other Non-operating Income (Expenses), Net

Other non-operating income (expenses), net decreased by $0.1 million to a $2.2 million gain in 2021, as compared to a $2.3 million gain in 2020.

Income Tax Expense

Income tax expense increased by $14.4 million, from $17.5 million in 2020 to $31.9 million in 2021, mainly related to changes in pre-tax in 2021. The consolidated effective tax rate was 41.1% in 2021, as compared to (13.3)% in 2020, primarily explained by the change in the weighted-average statutory income tax rate (which amounted to 41.4% in 2021 as compared to 22.9% in 2020) related to the weighting of the results of certain markets over the total result; changes in valuation allowance of deferred tax assets, a result of net operating losses, which decreased income tax by $26.8 million in 2021 compared to an increase by $3.0 million in 2020, mainly related to use of tax loss carryforwards. In addition, there were almost no expiration of tax loss carryforwards in 2021, compared to $13.8 million in 2020.

See Note 16 to our consolidated financial statements for additional information

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests was $0.4 million in the full year ended December 31, 2021.

Net Income (loss) Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net income (loss) attributable to Arcos Dorados Holdings Inc. increased by $195 million from a loss of $149.5 million in 2020, to a gain of $45.5 million in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Effective October 1, 2021, the Company made certain changes in its internal management structure in order to gain operational agility. As a result, the Company reorganized its operation from four geographic divisions to three geographic divisions, as follows: (i) Brazil; (ii) NOLAD, which now consists of Costa Rica, Mexico, Panama, Puerto Rico, Martinique, Guadeloupe, French Guiana and the U.S. Virgin Islands of St. Croix and St. Thomas; and (iii) SLAD, which now consists of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao. In accordance with ASC 280 Segment Reporting, the Company began providing information with the revised structure of geographic divisions in the annual period ended December 31, 2021 and has restated its comparative segment information as of and for the years ended December 31, 2020 and 2019 based on the structure prevailing since October 1, 2021. This comparative financial information section reflects the changes as a result of the operational structure reorganization.

Sales By division

	Sales		Sales growth		Sales growth in constant currency		Comparable sales growth
	For the Years Ended December 31,		For the Years Ended December 31,		For the Years Ended December 31,		For the Years Ended December 31,
	2020	2019	2020	2019	2020	2019	2020
	(in thousands of U.S. dollars, except percentages)						
Sales by Company-operated restaurants:							
Brazil	$ 795,228	$ 1,283,005	(38.0) %	2.5 %	(20.6) %	11.1 %	(22.4) %
NOLAD	570,063	648,315	(12.1) %	3.4 %	(10.7) %	4.5 %	(17.6) %
SLAD	529,327	880,967	(39.9) %	(16.4) %	(14.1) %	7,234.9 %	(15.4) %
Total Sales by Company-operated restaurants	1,894,618	2,812,287	(32.6) %	(4.1) %	(16.3) %	2,606.9 %	(19.1) %
Franchised-sales:							
Brazil	540,974	834,653	(35.2) %	7.8 %	(17.0) %	16.8 %	(20.7) %
NOLAD	121,350	227,418	(46.6) %	5.1 %	(43.6) %	5.2 %	(29.1) %
SLAD	77,720	127,462	(39.0) %	(39.3) %	57.7 %	34,921.9 %	65.2 %
Total Franchised sales	740,044	1,189,533	(37.8) %	(0.9) %	(14.0) %	6,118.5 %	(13.2) %
Systemwide sales:							
Brazil	1,336,202	2,117,658	(36.9) %	4.6 %	(19.2) %	13.3 %	(21.8) %
NOLAD	691,413	875,733	(21.0) %	3.9 %	(19.3) %	4.7 %	(19.8) %
SLAD	607,047	1,008,429	(39.8) %	(20.2) %	(5) %	11,830.9 %	(6.0) %
Total Systemwide sales	**2,634,662**	**4,001,820**	**(34.2) %**	**(3.2) %**	**(15.6) %**	**3,626.7 %**	**(17.4) %**

	Sales		Number of restaurants		Average restaurant sales	
	For the Years Ended December 31,		For the Years Ended December 31,		For the Years Ended December 31,	
	2020	2019	2020	2019	2020(1)	2019(2)
	(in thousands of U.S. dollars, except for number of restaurants)					
Sales by Company-operated restaurants	$ 1,894,618	$ 2,812,287	1,576	1,580	$ 1,202	$ 1,780
Franchised sales(3)	740,044	1,189,533	600	713	1,121	1,688
Systemwide sales	**2,634,662**	**4,001,820**	**2,236**	**2,293**	**1,178**	**1,745**

(1) Our ARS decreased in 2020 due to a decrease in traffic as a result of the negative impact of the depreciation of currencies, mainly in Venezuela, Argentina and Brazil, against the U.S. dollar and lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic in all divisions. This was partially offset by an average check growth of 42.5%, mainly driven by Venezuela's hyperinflation and high inflation in Argentina.

(2) Our ARS decreased in 2019 due to the negative impact of the depreciation of currencies, mainly in Venezuela, Argentina and Brazil, against the U.S. dollar. This was partially offset by comparable sales growth of 3,654.4%, mainly driven by Venezuela´s hyperinflation.

(3) Franchised sales correspond to sales generated by franchised restaurants, which we do not collect. Revenues from franchised restaurants primarily derive from rental income.

Results of operations for the years ended December 31, 2020 and 2019.

Set forth below are our results of operations for the years ended December 31, 2020 and 2019.

	For the Years Ended December 31,		%
	2020	2019	Change
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	$ 1,894,618	$ 2,812,287	(32.6) %
Revenues from franchised restaurants	89,601	146,790	(39.0) %
Total revenues	**1,984,219**	**2,959,077**	**(32.9) %**
Company-operated restaurant expenses:			
Food and paper	(677,087)	(1,007,584)	(32.8) %
Payroll and employee benefits	(413,074)	(567,653)	(27.2) %
Occupancy and other operating expenses	(624,154)	(799,633)	(21.9) %
Royalty fees	(110,957)	(155,388)	(28.6) %
Franchised restaurants – occupancy expenses	(43,512)	(61,278)	(29.0) %
General and administrative expenses	(171,382)	(212,515)	(19.4) %
Other operating (expenses) income, net	(10,807)	4,910	(320.1) %
Total operating costs and expenses	**(2,050,973)**	**(2,799,141)**	**(26.7) %**
Operating (loss) income	**(66,754)**	**159,936**	**(141.7) %**
Net interest expense	(59,068)	(52,079)	13.4 %
(Loss) Gain from derivative instruments	(2,297)	439	(623.2) %
Gain from securities	25,676	—	100.0 %
Foreign currency exchange results	(31,707)	12,754	(348.6) %
Other non-operating income (expenses), net	2,296	(2,097)	209.5 %
(Loss) income before income taxes	**(131,854)**	**118,953**	**(210.8) %**
Income tax expense	(17,532)	(38,837)	(54.9) %
Net (loss) income	**(149,386)**	**80,116**	**(286.5) %**
Less: Net income attributable to non-controlling interests	(65)	(220)	(70.5) %
Net (loss) income attributable to Arcos Dorados Holdings Inc.	**(149,451)**	**79,896**	**(287.1) %**

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2020 and 2019.

Systemwide Restaurants	For the Years Ended December 31,	
	2020	2019
Systemwide restaurants at beginning of period	2,293	2,223
Restaurant openings	9	90
Restaurant closings	(66)	(20)
Systemwide restaurants at end of period	2,236	2,293

Company-Operated Restaurants	For the Years Ended December 31,	
	2020	2019
Company-operated restaurants at beginning of period	1,580	1,540
Restaurant openings	3	65
Restaurant closings	(56)	(17)
Net conversions of franchised restaurants to Company-operated restaurants	49	(8)
Company-operated restaurants at end of period	1,576	1,580

Franchised Restaurants	For the Years Ended December 31,	
	2020	2019
Franchised restaurants at beginning of period	713	683
Restaurant openings	6	25
Restaurant closings	(10)	(3)
Net conversions of franchised restaurants to Company-operated restaurants	(49)	8
Franchised restaurants at end of period	660	713

Revenues

	For the Years Ended December 31,			
	2020	2019	% Change	
	(in thousands of U.S. dollars)			
Sales by Company-operated restaurants				
Brazil	$ 795,228	$ 1,283,005	(38.0)	%
NOLAD	570,063	648,315	(12.1)	%
SLAD	529,327	880,967	(39.9)	%
Total	**1,894,618**	**2,812,287**	**(32.6)**	**%**
Revenues from franchised restaurants				
Brazil	67,520	102,561	(34.2)	%
NOLAD	14,583	28,068	(48.0)	%
SLAD	7,498	16,161	(53.6)	%
Total	**89,601**	**146,790**	**(39.0)**	**%**
Total revenues				
Brazil	862,748	1,385,566	(37.7)	%
NOLAD	584,646	676,383	(13.6)	%
SLAD	536,825	897,128	(40.2)	%
Total	**1,984,219**	**2,959,077**	**(32.9)**	**%**

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants decreased by $917.7 million, or 32.6%, from $2,812.3 million in 2019 to $1,894.6 million in 2020. This decrease was mainly driven by a decrease in traffic in the Territories as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which led to a decrease in comparable sales by Company-operated restaurants of $540.9 million. In addition, the depreciation of currencies against the U.S. dollar caused sales to decline by $459.2 million, mainly in Brazil, Argentina and Venezuela. This was partially offset by the conversion of 41 franchised restaurants into Company-operated restaurants, the opening of 68 Company-operated restaurants and the closing of 73 Company-operated restaurants since January 1, 2019, which contributed $82.4 million to sales.

In Brazil, sales by Company-operated restaurants decreased by $487.8 million, or 38.0%, to $795.2 million. This was primarily a consequence of comparable sales decline of 22.4%, mainly driven by the decrease in traffic as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which caused sales to decrease by $285.3 million. In addition, the depreciation of the Brazilian real against the U.S. dollar, caused sales to decrease by $223.1 million. This was partially offset by 33 net restaurants openings, partly offset by the conversion of 7 Company-operated restaurants into franchised restaurants since January 1, 2019, that caused sales to increase by $20.6 million.

In NOLAD, sales by Company-operated restaurants decreased by $78.3 million, or 12.1%, to $570.1 million. This was a consequence of comparable sales decline of 17.6%, driven by the traffic decrease as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which caused sales to decrease by $122.3 million and the depreciation of local currencies, which had a negative impact of $8.6 million in sales. This was partially offset by the conversion of 41 franchised restaurants into Company-operated restaurant, the opening of 19 Company-operated restaurant and closure of 39 Company-operated restaurants since January 1, 2019, which contributed in $52.6 million to sales.

In SLAD, sales by Company-operated restaurants decreased by $351.6 million, or 39.9%, to $529.3 million. The hyperinflationary environment in Venezuela caused a $5.0 million net negative impact on sales by Company-operated restaurants in 2020 compared to 2019. In the other markets of the SLAD division, sales by Company operated restaurants decreased by $346.7 million as a consequence of decline in traffic as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which led to a decrease in comparable sales of $228.6 million, coupled with the depreciation of currencies against the U.S. dollar, in particular the Argentine *peso*, which caused sales to decrease by $125.4 million. This was partially offset by the conversion of 7 franchised restaurants into Company-operated restaurants, the opening of 12 Company-operated restaurants and closure of 30 Company-operated restaurants since January 1, 2019, which contributed $7.3 million to the increase in sales.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants decreased by $57.2 million, or 39.0%, from $146.8 million in 2019 to $89.6 million in 2020. The decrease in revenues was mainly driven by the depreciation of currencies against U.S. dollar, which caused revenues to decrease by $34.8 million, coupled with a decrease in traffic in the Territories as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which caused revenues to decrease by $16.1 million. In addition, the decrease in rent income to support sub-franchisees during the COVID-19 pandemic had a $4.2 million negative effect, together with the conversion of 41 franchised restaurants into Company-operated, partially offset by the net opening of 18 franchised restaurants, which decreased revenues by $2.1 million.

In Brazil, revenues from franchised restaurants decreased by $35.0 million, or 34.2%, to $67.5 million primarily due to comparable sales decrease of 20.7% due to a decline in traffic in Brazil as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which decreased revenues by $21.7 million as well as the depreciation of the real against the U.S. dollar, which decreased revenues by $19.0 million. This was partially offset by the net opening of 19 franchised restaurants and the conversion of 7 Company-operated restaurants into franchised restaurants, since January 1, 2019, which caused revenues from franchised restaurants to increase by $4.0 million. In addition, an increase in rental income as a percentage of sales contributed $1.7 million to revenues.

In NOLAD, revenues from franchised restaurants decreased by $13.5 million, or 48.0%, to $14.6 million. The conversion of all 33 franchised restaurants into Company operated restaurants in Puerto Rico and the conversion of 8 franchised restaurants into Company operated restaurants in Mexico, caused revenues to decrease by $6.2 million. Additionally, the decrease in comparable sales of 19.8% resulted in a $5.7 million decreased in revenues. The depreciation of local currencies, had a negative impact of $0.8 million in revenues The decline in rental income as a percentage of sales had a negative impact of $0.8 million.

In SLAD, revenues from franchised restaurants decreased by $8.7 million, or 53.6%, to $7.5 million. The sharp currency depreciation in Venezuela more than offset the hyperinflationary environment, causing a $0.7 million net negative impact on revenues from franchised restaurants. In the other markets of SLAD Division, the decrease in revenues from franchised restaurants of $8.0 million is mainly explained by the support given to sub-franchisees during the COVID-19 pandemic, which caused rental income to decrease as a percentage of sales in the division, and reduced revenues by $5.0 million. In addition, the depreciation of currencies against the U.S. dollar in the division, excluding Venezuela, represented a decrease in revenues of $1.7 million, and the comparable sales decline due to a decrease in traffic in the SLAD division as a result of lockdowns and capacity limits at our restaurants due to the COVID-19 pandemic caused revenues to decrease by $1.4 million. The conversion of 7 franchised restaurants into Company-operated restaurants, partially offset by 3 franchised restaurants net openings, since January 1, 2019, also caused revenues from franchised restaurants to decrease by $0.1 million.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs decreased by $330.5 million, or 32.8%, to $677.1 million in 2020, as compared to 2019. As a percentage of our total sales by Company-operated restaurants, food and paper costs decreased 0.1 percentage points to 35.7%.

In Brazil, food and paper costs decreased by $158.9 million, or 36.2%, to $280.5 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 1.0 percentage points to 35.3%, primarily as a result of important cost increases that could not be fully transferred to prices in the division.

In NOLAD, food and paper costs decreased by $34.1 million, or 14.4%, to $202.8 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 1.0 percentage points to 35.6%. The decline in food and paper costs in NOLAD were primarily driven by a favorable product mix in Mexico and Puerto Rico, and improved inventory and waste management in Mexico and Panama.

In SLAD, food and paper costs decreased by $137.5 million, or 41.5%, to $193.8 million. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 1.0 percentage points to 36.6%, mainly due to higher price increases than cost increases particularly in Argentina, but also in Chile and Uruguay that coupled with a favorable product mix could decrease the food and paper cost over sales.

Payroll and Employee Benefits

Our total payroll and employee benefits costs decreased by $154.6 million, or 27.2%, to $413.1 million in 2020, as compared to 2019. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs increased 1.6 percentage points to 21.8%. The increase was mostly attributable to lower productivity of our employees, especially during the months that our stores were fully or partially closed as a result of the COVID-19 pandemic, as there is a minimum number of hours the Company must guarantee to its employees, that varies among markets, as well as higher management payroll as a percentage of sales in every division, explained by a decrease in traffic in the Territories. This was partly offset by subsidies provided by governments in some markets.

The decrease in traffic in both cases was due to lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which led to lower absorption of fixed costs. This was partly offset by an average check increase above regular crew hour rates, which increased in most markets.

In Brazil, payroll and employee benefits costs decreased by $83.7 million, or 31.3%, to $183.8 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased by 2.3 percentage points to 23.1%, mainly as a result of lower productivity due to the decrease in traffic in the division as a result of lockdowns and capacity limits at our restaurants due to the COVID-19 pandemic. In addition, management payroll costs increased as a percentage of sales due to the decrease in sales, also driven by the COVID-19 pandemic.

In NOLAD, payroll and employee benefits costs decreased by $6.3 million, or 5.0%, to $121.0 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased by 1.6 percentage points to 21.2%, mainly due to a decrease in productivity, coupled with an increase in management payroll as a percentage of sales due to lower sales in the division, all related to a decrease in traffic as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, partially offset by an increase in the average check above the regular crew hour rate in Costa Rica.

In SLAD, payroll and employee benefits costs decreased by $64.6 million, or 37.4%, to $108.3 million. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits increased by 0.8 percentage points to 20.5% mainly as a result of a decrease in traffic in the division as a result of lockdowns and capacity limits at our restaurants as a result of the COVID-19 pandemic, which had a negative impact in sales, increasing management payroll and decreasing productivity.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses decreased by $175.5 million, or 21.9%, to $624.2 million in 2020, as compared to 2019. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses increased 4.5 percentage points to 32.9%, mainly as a consequence of the decrease in sales due to the COVID-19 pandemic, which led to lower absorption of fixed costs. Additionally, there were higher depreciation and amortization expenses in Brazil and Uruguay, coupled with higher delivery costs in every division and utilities expenses in Brazil and Argentina. This was partially offset by a reduction of advertising and promotion expenses by 1.0 percentage point of sales in every market, according to an agreement with McDonald's we entered into at the beginning of the pandemic to reduce our advertising and promotion spending from 5% to 4% of our gross sales for the year 2020.

In Brazil, occupancy and other operating expenses decreased by $94.6 million, or 26.8%, to $258.3 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 5.0 percentage points to 32.5%, due to the COVID-19 pandemic, which led to lower sales that had a negative impact on the absorption of fixed costs, mainly utilities and occupancy expenses. This increase was also caused by higher delivery costs due to a higher participation of delivery in sales driven by circulation restrictions. In addition, there was higher depreciation and amortization related to the reinvestment plan and to the opening of restaurants and Dessert Centers mainly in previous years.

In NOLAD, occupancy and other operating expenses decreased by $13.5 million, or 6.9%, to $182.9 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 1.8 percentage points to 32.1% due to lower absorption of fixed costs, such as utilities due to the COVID-19 pandemic, which had a negative impact on sales, coupled with higher depreciation and amortization expenses in the division. Also, delivery expenses increased driven by an increase in sales through our delivery channel in connection with the COVID-19 pandemic.

In SLAD, occupancy and other operating expenses decreased by $70.9 million, or 27.9%, to $183.6 million. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 5.8 to 34.7%, due to a decrease in sales as a result of the COVID-19 pandemic, which had a negative impact on fixed costs absorption such as IT services, utilities, maintenance and repair and insurance. Additionally, delivery expenses increased as this segment participation grew during the COVID-19 pandemic. Also, there was higher depreciation and amortization.

Royalty Fees

Our total royalty fees decreased by $44.4 million, or 28.6%, to $111.0 million in 2020, as compared to 2019. As a percentage of sales, royalty fees increased by 0.3 percentage points to 5.9% mainly due to the absence of growth support funding from McDonald's Corporation in 2020 compared to 2019.

In Brazil, royalty fees decreased by $20.9 million, or 31.1%, to $46.3 million in 2020. As a percentage of sales, royalty fees increased 0.6 percentage points to 5.8% due to the absence of growth support funding from McDonald's Corporation in 2020 compared to 2019.

In NOLAD, royalty fees decreased by $4.5 million, or 11.7%, to $33.7 million in 2020, as compared to 2019. As a percentage of sales, royalty fees remained flat.

In SLAD, royalty fees decreased by $19.1 million, or 38.2%, to $30.9 million in 2020, as compared to 2019. As a percentage of sales, royalty fees increased by 0.2 percentage points to 5.8%, as a result of absence of growth support funding from McDonald's compared to the same period of 2019.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants decreased by $17.8 million or 29.0%, to $43.5 million in 2020, as compared to 2019, mainly due to the depreciation of currencies, especially in Venezuela, Brazil and Argentina against the U.S. dollar, together with lower allowances for doubtful accounts in Puerto Rico as all restaurants in this market have been Company-operated since May 31, 2020.

In Brazil, occupancy expenses from franchised restaurants decreased by $10.5 million, or 22.2%, to $36.7 million in 2020, as compared to 2019, primarily due to the depreciation of the Brazilian real against the U.S. dollar.

In NOLAD, occupancy expenses from franchised restaurants decreased by $6.3 million, or 67.4%, to $3.1 million in 2020, as compared to 2019, mainly due to lower rent expenses for leased properties, as a consequence of negotiations with lessors mainly in Mexico to provide financial support by deferring or reducing rental payments during the COVID-19 pandemic. Additionally, there was a reduction of the allowance for doubtful accounts, in Puerto Rico, due to a settlement agreement with the remaining Puerto Rican franchisees in the market and the subsequent conversion of all restaurants in this market to Company operated restaurants. Furthermore, depreciation of currencies against the U.S. dollar decreased expenses from franchised restaurants.

In SLAD, occupancy expenses from franchised restaurants decreased by $1.5 million, or 27.9%, to $3.8 million in 2020, as compared to 2019, mainly due to the depreciation of the Venezuelan *bolívar* and Argentinean *peso* against the U.S. dollar, coupled with lower rent expenses for leased properties that had a variable component over sales, as a consequence of the decrease in comparable sales from franchised restaurants, related to lockdowns and circulation restrictions in connection with the COVID-19 pandemic.

Set forth below are the margins for our franchised restaurants in 2020, as compared to 2019. The margin for our franchised restaurants is expressed as a percentage and is equal to the difference between revenues from franchised restaurants and occupancy expenses from franchised restaurants, divided by revenues from franchised restaurants.

	For the Years Ended December 31,	
	2020	**2019**
Brazil	45.7%	54.0%
NOLAD	79.0%	66.5%
SLAD	49.9%	67.7%
Total	**51.4%**	**58.3%**

General and Administrative Expenses

General and administrative expenses decreased by $41.1 million, or 19.4%, to $171.4 million in 2020. This is explained primarily by the depreciation of currencies, especially the Argentine *peso* and the Brazilian *real*, that contributed $35.8 million to the reduction in general and administrative expenses, together with a net reduction of expenses in Venezuela of $1.2 million. In addition, there were efforts to reduce expenses in every division. Brazil and NOLAD decreased their general and administrative expenses by $6.1 million, primarily in bonuses and other variable compensation, travel and outside services expenses. These reductions were partially offset by an increase in general and administrative expenses in Corporate and SLAD territories other than Venezuela, amounting $2.0 million, mainly in payroll, related to the high inflation in Argentina.

In Brazil, general and administrative expenses decreased by $17.8 million, or 26.8%, to $48.8 million in 2020, as compared to 2019. The decrease resulted from the depreciation of the Brazilian real against the U.S. dollar amounting to $14.1 million, and lower bonuses and other variable compensation for $4.1 million. In addition, we had lower expenses related to travel amounting $1.1 million, coupled with lower other expenses for $0.9 million. This was partially offset by higher occupancy expenses for an amount of $2.4 million.

In NOLAD, general and administrative expenses decreased by $3.5 million, or 9.2%, to $34.4 million in 2020, as compared to 2019. This decrease is a result of lower outside services amounting to $1.3 million and lower bonuses and other variable compensations amounting to $1.1 million. In addition, there were lower travel expenses for $0.8 million together with a decrease in occupancy expenses for $0.3 million. The depreciation of currencies, mainly the Mexican *peso* against the U.S. dollar, reduced expenses in $1.1 million. These effects were partially offset by higher payroll and other expenses for an amount of $1.1 million.

In SLAD, general and administrative expenses decreased by $7.4 million, or 18.2%, to $33.1 million in 2020, as compared to 2019. The sharp currency depreciation in Venezuela caused a net decrease of general and administrative expenses of $1.2 million. In the other markets of the Division, general and administrative expenses decreased by $6.2 million. This decrease was mostly due to the depreciation of various currencies against the U.S. dollar, mainly the Argentine *peso*, amounting to $6.5 million, coupled with lower occupancy expenses for $1.0 million. In addition, there were lower travel

expenses for $0.9 million, together with a decrease in bonuses and other variable compensation and other expenses, amounting to $0.8 million and $0.4 million respectively. This was partially offset by higher payroll expenses amounting to $2.9 million, mainly in Argentina amounting to $1.8 million due to Argentina's inflationary environment, coupled with higher outside services amounting $0.5 million.

General and administrative expenses for Corporate and others decreased by $12.5 million, or 18.4%, to $55.1 million in 2020, as compared to 2019. This decrease was mostly due to the depreciation of currencies against the U.S. dollar, especially the Argentine *peso* and the Brazilian real, amounting to $14.2 million, coupled with lower bonuses and other variable compensations for an amount of $3.7 million. In addition, there were lower travel expenses for $3.1 million, together with lower outside services expenses and other expenses of $0.9 million and $0.2 million respectively. This was partially offset by higher payroll related to Argentina's inflation, as a portion of our corporate expenses are nominated in Argentine *pesos*, amounting to $6.0 million, coupled with higher occupancy expenses amounting $3.6 million.

Other Operating (Expenses) Income, net

Other operating (expenses) income, net decreased by $15.7 million, to a loss of $10.8 million in 2020 from a gain of $4.9 million in 2019. This decrease was primarily attributable to positive results in 2019 related to the refranchising of some company-operated restaurants amounting to $5 million and the recovery in provision for contingencies in Brazil, as a result of a positive outcome in legal proceeding, amounting to $4.3 million. In addition, during 2020 there was an increase in inventory write-off of about $4.7 million mainly related to the food waste caused by the closing of our restaurant at the beginning of the COVID-19 outbreak in the region.

Operating (Loss)/Income

	For the Years Ended December 31,					
	2020		2019		% Change	
	(in thousands of U.S. dollars)					
Brazil	$	16,121	$	164,342	(90.2)	%
NOLAD		30		29,954	(99.9)	%
SLAD		(28,842)		27,895	(203.4)	%
Corporate and other and purchase price allocation		(54,063)		(62,255)	13.2	%
Total		**(66,754)**		**159,936**	**(141.7)**	**%**

Operating (loss) income decreased by $226.7 million, or 141.7%, to a loss of $66.8 million in 2020 from a gain of $159.9 million in 2019, as a result of the foregoing.

Net Interest Expense

Net interest expense increased by $7 million, or 13.4%, to $59.1 million in 2020, as compared to 2019. The increase was primarily explained by higher interest expense on new short-term debt drawn to maintain liquidity at the beginning of the COVID-19 pandemic amounting to $5.7 million. In addition, there was an increase in interest expenses due to the aggregate principal amount of 2027 Notes of $4.7 million, partially offset by a reduction in 2023 Notes interest expense of $2.2 million.

(Loss) gain from Derivative Instruments

(Loss) gain from derivative instruments decreased by $2.7 million to a loss of $2.3 million in 2020, from a gain of $0.4 million in 2019, attributable to the results of derivatives instruments not designated as hedge accounting.

Gain from Securities

Gain from securities was $25.7 million in the full year ended December 31, 2020.

Foreign Currency Exchange Results

Foreign currency exchange results decreased by $44.5 million, from a gain of $12.8 million in 2019 to a loss of $31.7 million in 2020. The variation was primarily attributable to the impact of a higher depreciation of the Brazilian reais of 29% in comparison with 4% in 2019.

Other Non-operating Income (Expenses), Net

Other non-operating income (expenses), net increased by $4.4 million to a $2.3 million gain in 2020, as compared to a $2.1 million loss in 2019, primarily related to an income tax credit generated by dividend distributions between subsidiaries.

Income Tax Expense

Income tax expense decreased by $21.3 million, from $38.8 million in 2019 to $17.5 million in 2020, mainly related to changes in pre-tax (loss) income. The consolidated effective tax rate was (13.3)% in 2020, as compared to 32.6% in 2019, primarily explained by the change in the weighted-average statutory income tax rate (which amounted to 22.9% in 2020 as compared to 37% in 2019) related to the weighting of the results of certain markets over the total result; changes in valuation allowance of deferred tax assets, a result of net operating losses, which increased income tax by $3.0 million in 2020 compared to a decrease by $24.9 million in 2019, the latter mainly related to expiration of tax loss carryforwards. In addition, non-deductible expenses, non-taxable income and withholding taxes from intercompany transactions increased income tax by $ 26.1 million in 2020 and $ 12.6 million in 2019, impacting negatively the effective rate.

See Note 16 to our consolidated financial statements for additional information

Net Income Attributable to Non-controlling Interests

Net income attributable to non-controlling interests was $0.07 million in the full year ended December 31, 2020.

Net (loss) Income Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net (loss) income attributable to Arcos Dorados Holdings Inc. decreased by $229.3 million from a gain of $79.9 million in 2019, to a loss of $149.5 million in 2020.

B. Liquidity and Capital Resources

We generate significant cash from operations and, consistent with prior years, we expect existing cash flows from operations, working capital and our ability to issue debt or incur additional indebtedness will continue to be sufficient to fund our operating, investing and financing activities. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affected our business, results of operations and cash flows" and "—Risks Related to Our Results of Operations and Financial Condition—We may use non-committed lines of credit to partially finance our working capital needs."

Our financial condition and liquidity are and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness and the interest we pay on this indebtedness;
- our dividend policy;
- changes in exchange rates which will impact our generation of cash flows from operations when measured in U.S. dollars; and
- our capital expenditure requirements.

Although we had a very comfortable cash balance, with no short-term debt drawn, as of December 31, 2021, our liquidity and capital resources could be negatively impacted if government restrictions on mobility to stem the spread of COVID-19 become as strict as in 2020. If needed, we can rely on short term funding from several uncommitted lines of credit. Any unavailability of such credit lines may also negatively impact our liquidity in 2022 and capital resources.

Under the MFAs, we are required to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period or such other commitment or period that McDonald's may approve during the term of the MFAs. The restaurant opening plan specifies the number and type of new restaurants to be opened in the Territories during the applicable three-year period or such other commitment or period that McDonald's may approve, while the reinvestment plan specifies the amount we must spend reimaging or upgrading restaurants in the Territories during the applicable three-year period or such other commitment or period that McDonald's may approve. Prior to the expiration of the then-applicable three-year period we must agree with McDonald's on a subsequent restaurant opening plan and reinvestment plan. In the event that we are unable to reach an agreement on subsequent plans prior to the expiration of the then-existing plan, the MFAs provide for an automatic increase of 20% in the required amount of reinvestments as compared to the then-existing reinvestment plan and a number of new restaurants no less than 210 multiplied by a factor that increases each period during the subsequent three-year restaurant opening plan or such other commitment or period that McDonald's may approve. We may also propose, subject to McDonald's prior written consent, amendments to any restaurant opening plan and/or reinvestment plan to adapt to changes in economic or political conditions. For instance, as a result of the business disruptions caused by COVID-19 pandemic, we agreed with McDonald's to withdraw our previously-approved 2020-2022 growth and investment plan and on December 18, 2020, we reached an agreement with McDonald's on a growth and investment plan for 2021 only. In January 2022, we reached an agreement with McDonald's on a new growth and investment plan. To support our future growth, we plan to open at least 200 new restaurants and to modernize at least 400 restaurants, with capital expenditures of approximately $650 million from 2022 to 2024. For more information, see "Item 4. Information on the Company—A. History and Development of the Company—Capital Expenditures and Divestitures."

Overview

Net cash provided by operations increased by $242 million, from $16.0 million in 2020 to $258 million in 2021. Cash used in our investing activities was $108.3 million in 2021, compared to $88.7 million in 2020. Cash used in financing activities was $17.9 million in 2021, compared to cash provided by financing activities of $126.0 million in 2020. In 2020, Cash provided by financing activities included $153.4 million from the issuance of 2027 notes, partially offset by net short-term borrowings of $10.6 million and dividend payments of $10.2 million.

Net cash provided by operations decreased by $207.5 million, from $223.5 million in 2019 to $16.0 million in 2020. Cash used in our investing activities was $88.7 million in 2020, compared to $261.0 million in 2019. Cash provided by financing activities was $126.0 million in 2020, compared to $29.6 million in 2019. Cash provided by financing activities included $153.4 million from the issuance of 2027 notes, partially offset by net short-term borrowings of $10.6 million and dividend payments of $10.2 million.

At December 31, 2021, our total financial debt was $657.9 million (including interest payable), consisting of $755.3 million in long-term debt (of which $201.3 million related to the 2023 notes, including the original issue discount, $532.6 million related to 2027 notes, including the original issue discount, $7.5 million in other long-term borrowings, and $6.1 million in finance lease obligations, partially offset by $3.7 million related to deferred financing costs) the amount of which was offset by $97.4 million related to the fair market value of our outstanding derivative instruments and $11.4 million in interest payable.

At December 31, 2020, our total financial debt was $673.3 million, consisting of $776.6 million in long-term debt (of which $215.9 million related to the 2023 notes, including the original issue discount, $549.2 million related to 2027 notes, including the original issue discount, $10.2 million in other long-term borrowings, and $5.9 million in finance lease obligations, partially offset by $4.6 million related to deferred financing costs) the amount of which was offset by $103.3 million related to the fair market value of our outstanding derivative instruments.

Cash and cash equivalents were $278.8 million at December 31, 2021 and $166.0 million at December 31, 2020.

Comparative Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars)		
Net cash provided by operating activities	$ 258,044	$ 15,966	$ 223,481
Net cash used in investing activities	(108,279)	(88,706)	(260,991)
Net cash (used in) provided by financing activities	(17,926)	126,009	(29,632)
Effect of exchange rate changes on cash and cash equivalents	(18,998)	(9,160)	(8,260)
Increase (Decrease) in cash and cash equivalents	**112,841**	**44,109**	**(75,402)**

Operating Activities

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars)		
Net income (loss) attributable to Arcos Dorados Holdings Inc.	$ 45,486	$ (149,451)	$ 79,896
Non-cash charges and credits	119,993	172,201	117,498
Changes in assets and liabilities	92,565	(6,784)	26,087
Net cash provided by operating activities	**258,044**	**15,966**	**223,481**

For the year ended December 31, 2021, net cash provided by operating activities was $258.0 million, compared to $16.0 million in 2020. The $242 million increase is attributable to the increase in net income, mainly due to the recovery after the negative impact of the COVID-19 pandemic, which resulted in the disruption on our operations, the positive change in assets and liabilities of $99.3 million and a decrease of non-cash charges of $52.2 million.

For the year ended December 31, 2020, net cash provided by operating activities was $16.0 million, compared to $223.5 million in 2019. The $207.5 million decrease was mainly explained by the negative impact of the COVID-19 pandemic, which resulted in disruptions on our operations.

Investing Activities

Investments in new restaurants and the modernization of existing restaurants are primarily concentrated in markets with opportunities for long-term growth and returns on investment above a pre-defined threshold that is significantly above our cost of capital. Average development costs vary widely by market depending on the types of restaurants built and the real estate and construction costs within each market and are affected by foreign currency fluctuations. These costs, which include land, buildings and equipment, are managed through the use of optimally sized restaurants, construction and design efficiencies and the leveraging of best practices.

The following table presents our cash (used in) provided by investing activities by type:

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars)		
Property and equipment expenditures	$ (114,999)	$ (86,311)	$ (265,235)
Purchases of restaurant businesses paid at acquisition date	(185)	(3,833)	(2,658)
Proceeds from sales of property and equipment and related advances	1,987	800	3,340
Proceeds from sales of restaurant businesses and related advances	—	—	4,818
Recovery of short-term investments	—	—	—
Others, net	4,918	638	(1,256)
Net cash used in investing activities	**(108,279)**	**(88,706)**	**(260,991)**

The following table presents our property and equipment expenditures by type:

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars)		
New restaurants	$ 44,089	$ 19,345	$ 88,427
Existing restaurants	35,477	49,457	149,681
Other(1)	35,433	17,509	27,127
Total property and equipment expenditures	**114,999**	**86,311**	**265,235**

(1) Primarily corporate equipment and other office expenditures.

In 2021, net cash used in investing activities was $108.3 million, compared to $88.7 million in 2020. This $19.6 million increase was primarily attributable to an increase in property and equipment expenditures of $28.7 million, a decrease in purchases of restaurant businesses paid at acquisition date of $3.6 million in comparison with 2020, partially offset by an increase of proceeds from franchised notes of $4.3 million and from sale of property and equipment and related prepayments of $1.2 million.

Property and equipment expenditures increased by $28.7 million, from $86.3 million in 2020 to $115 million in 2021. The increase in property and equipment expenditures is explained by an increase in investment in new restaurants of $24.7 million, as well as in corporate equipment and other office expenditures of $18 million and a decrease in existing restaurants of $14 million. In 2021, we opened 46 restaurants and closed 21 restaurants.

Other investing activities increased by $4.3 million in 2021, mainly due to proceeds from franchised notes.

In 2020, net cash used in investing activities was $88.7 million, compared to $261.0 million in 2019. This $172.3 million decrease was primarily attributable to a decrease in property and equipment expenditures of $178.9 million, due to our decision to reduce property and equipment expenditures after mid-March when the COVID-19 pandemic spread to Latin America and the Caribbean (in 2020, we opened 9 restaurants and closed 66 restaurants).

Proceeds from sales of restaurant businesses and related advances decreased by $4.8 million, mainly as a result of a lower rate of conversion of company-operated restaurants into franchised restaurants in 2020 compared with 2019. There were no proceeds from sales of restaurant businesses in 2020 and 2021.

Financing Activities

	For the Years Ended December 31,		
	2021	2020	2019
	(in thousands of U.S. dollars)		
Collection of derivative instruments	23,240	$ —	$ —
Repurchase of 2027 Senior Notes	(18,364)	$ —	$ —
Repurchase of 2023 Senior Notes	(16,231)	$ —	$ —
Dividend payments to Arcos Dorados Holdings Inc. shareholders	$ (21)	$ (10,220)	$ (22,425)
Issuance of 2027 Notes	—	153,375	—
Treasury stock purchases	—	—	(13,965)
Net short-term borrowings	—	(10,578)	13,159
Other financing activities	(6,550)	(6,568)	(6,401)
Net cash provided by (used in) financing activities	**(17,926)**	**126,009**	**(29,632)**

Net cash used in financing activities was $18 million in 2021, compared to net cash provided by financing activities of $126.0 million in 2020. The $108 million decrease in the amount of cash used in financing activities was primarily attributable to cash inflows of $153.4 million from the issuance of the 2027 notes in 2020, the repurchase of 2027 and 2023 senior notes for $18.4 million and $16.2 million respectively, partially offset by the collection of derivative instruments of $23.2 million in 2021, dividends paid in cash for $10.2 million in 2020 and the cancellation of short-term debt of $10.6 million in 2020.

Net cash provided by financing activities was $126.0 million in 2020, compared to net cash used in financing activities of $29.6 million in 2019. The $155.6 million decrease in the amount of cash used in financing activities was primarily attributable to cash inflows of $153.4 million from the issuance of the 2027 notes in 2020.

The company may opportunistically seek to incur new debt to refinance any of its existing debt or for other corporate purposes, including potential capital expenditure requirements, from time to time, if market conditions permit.

Revolving Credit Facilities

In 2011, we and Arcos Dorados B.V. entered into revolving credit facilities in order to borrow money from time to time to cover our working capital needs and for other lawful general corporate purposes.

On August 3, 2011, our subsidiary, Arcos Dorados B.V., entered into a committed revolving credit facility with Bank of America, N.A., as lender, for $50 million. We renewed this loan annually between 2015 and 2019, including most recently on August 2, 2019 for $25 million maturing on August 2, 2020, with an annual interest rate equal to LIBOR plus 2.40%. We repaid amounts due under this revolving credit facility in full upon maturity on August 2, 2020. This revolving credit facility was not renewed after its maturity.

On December 11, 2019, the Company entered into a revolving credit facility with JPMorgan. for up to $25 million maturing on December 11, 2020. On December 11, 2020 the Company entered into an amended and restated credit agreement with JPMorgan. Pursuant to this agreement, we were required to comply with a net indebtedness (including interest payable) to EBITDA ratio of 9.50 to 1 as of the last day of the fiscal quarter ended December 31, 2020, 15.25 to 1 as of the last day of the fiscal quarter ending on March 30, 2021, 5.25 to 1 as of the last day of the fiscal quarter ending on June 30, 2021 and 4.25 to 1 as of the last day of the fiscal quarter ending on September 30, 2021. In addition, we were required to comply with a liquidity covenant requiring the Company and its subsidiaries to maintain at all times at least $50 million in unrestricted cash, cash equivalents and/or marketable securities. Each loan made to the Company, under this amended and restated agreement bears interest at an annual rate equal to LIBOR plus 3.00%. On December 10, 2021, the Company entered into a further amendment to the revolving credit facility with JPMorgan. Pursuant to this amendment, the maturity date was extended to December 12, 2022. In addition, we are required to comply with a net indebtedness (including interest payable) to EBITDA ratio of less than 3.00 to 1 as of the last day of each fiscal quarter. Certain other amendments were made under the revolving credit facility in order to provide for interest to accrue at an annual rate equal to a term SOFR base rate plus 3.10% per annum.

The obligations of Company under the revolving credit facility are jointly and severally guaranteed by certain of the Company's subsidiaries on an unconditional basis. Furthermore, the revolving credit facility includes customary covenants including, among others, restrictions on the ability of the Company, the guarantors and certain material subsidiaries to: (i) incur liens, (ii) enter into any merger, consolidation or amalgamation; (iii) sell, assign, lease or transfer all or substantially all of the borrower's or guarantor's business or property; (iv) enter into transactions with affiliates; (v) engage in substantially different lines of business; and (vi) engage in transactions that violate certain anti-terrorism laws. The revolving credit facility provides for customary events of default, which, if any of them occurs, would permit or require JPMorgan to terminate its obligation to provide loans under the revolving credit facility and/or to declare all sums outstanding under the loan documents immediately due and payable.

As of December 31, 2021, our net indebtedness (including interest payable) to EBITDA ratio was 1.39 and as such we were in compliance with such ratio.

2023 Notes

In September 2013, we issued senior notes for an aggregate principal amount of $473.8 million under an indenture dated September 27, 2013, which we refer to as the 2023 notes. The total aggregate principal amount of the 2023 notes consists of $375 million issued for cash and $98.8 million issued in exchange for the 7.5% senior notes due 2019 issued by Arcos Dorados B.V. in October 2009 (the "2019 notes") that were properly tendered (and not validly withdrawn) pursuant to a tender offer, exchange offer and consent solicitation we launched in September 2013 (the "2013 Tender and Exchange Offer"). The 2023 notes mature on September 27, 2023 and bear interest of 6.625% per year. Interest is paid semiannually on March 27 and September 27. The proceeds from the issuance of the 2023 notes were used to pay the principal and premium on the 2019 notes in connection with the 2013 Tender and Exchange Offer, to repay certain of the short-term indebtedness we had with Banco Itaú BBA S.A., to unwind a cross-currency interest rate swap with Bank of America, N.A. and for general corporate purposes.

The 2023 notes are redeemable at our option at any time at the applicable redemption price set forth in the indenture.

The 2023 notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries. The 2023 notes and guarantees (i) are senior unsecured obligations and rank equal in right of payment with all of our and the guarantors' existing and future senior unsecured indebtedness; (ii) will be effectively junior to all of our and the guarantors' existing and future secured indebtedness to the extent of the assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of our subsidiaries that are not guarantors.

The indenture governing the 2023 notes limits our and our subsidiaries' ability to, among other things, (i) create certain liens; (ii) enter into sale and lease-back transactions; and (iii) consolidate, merge or transfer assets. These covenants are subject to important qualifications and exceptions. The indenture governing the 2023 notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then-outstanding 2023 notes to be due and payable immediately.

On June 1, 2016, we launched a cash tender offer to purchase up to $80 million of the outstanding 2023 Notes (the "2016 Tender Offer") at a redemption price equal to 98%, which expired on June 28, 2016. The holders who tendered their 2023 Notes prior to June 14, 2016 received a redemption price equal to 101%. As a result of the 2016 Tender Offer, we redeemed 16.89% of the outstanding principal amount of the 2023 notes. The total payment was $80.8 million (including $0.8 million of early tender payment) plus accrued and unpaid interest. The results related to the 2016 Tender Offer and the accelerated amortization of the related deferred financing cost were recognized as interest expense in the income statement.

On March 16, 2017, we announced the commencement of a second tender offer to purchase for cash up to $80 million aggregate principal amount of the properly tendered (and not validly withdrawn) outstanding 2023 notes (the "2017 Tender Offer"). As a result of the early settlement of the 2017 Tender Offer, we repurchased $45.3 million of the 2023 notes on April 5, 2017. The 2017 Tender Offer expired on April 12, 2017. As a result of the final settlement of the 2017 Tender Offer, we repurchased an additional $0.4 million of the 2023 notes on April 19, 2017. As of December 31, 2019, $348.1 million aggregate principal amount of the 2023 notes was outstanding.

On September 15, 2020, we launched an offer to exchange any and all of our outstanding 2023 notes for an additional issuance of our 2027 notes (as defined below) (the "2020 Exchange Offer") that expired on October 13, 2020 (the "expiration date"). The purpose of the exchange offer was to extend the maturity profile of the Company's long-term debt. The settlement date was on October 15, 2020. Eligible holders who validly tendered their 2023 notes for exchange prior to

September 28, 2020 (the "early participation date"), received $1,055 (expressed as whole number) of 2027 notes per $1,000 (expressed as whole number) of 2023 notes at the settlement date. Eligible holders who validly tendered their 2023 notes for exchange after the early participation date, but on or prior to the expiration date received $1,005 (expressed as whole number) of 2027 notes per $1,000 (expressed as whole number) of 2023 notes at the settlement date. In addition, any fractional portion of the 2027 notes less than $1,000 (expressed as whole number) and accrued and unpaid interest were paid in cash. As of September 28, 2020, the early participation date, the Company accepted to exchange $126.80 million 2023 notes, representing 36.43% of the outstanding principal amount of the 2023 notes. In addition, on October 13, 2020, the Company accepted to exchange $4.67 million, representing 1.34% of the outstanding principal amount of 2023 notes.

From June 2021 to November 2021, we repurchased through open market repurchases $14.8 million of the outstanding principal amount of 2023 notes at a price equal to 109.45% (equivalent to $16.2 million) plus accrued and unpaid interest. All repurchased notes were cancelled by November 8, 2021.

On April 18, 2022, we launched a tender offer to purchase for cash any and all of the outstanding 2023 notes properly tendered (and not validly withdrawn) for a total consideration of U.S.$1,053.60 per U.S$1,000 principal amount of 2023 notes validly tendered and accepted for purchase plus accrued interest, which expired on April 22, 2022. As a result of the tender offer, we repurchased 29.36% of the outstanding principal amount of the 2023 notes. The total payment was $59,239,000 plus accrued and unpaid interest. All tendered 2023 notes were cancelled on April 27, 2022. As of the date of this annual report, $142,524,000 aggregate principal amount of the 2023 notes was outstanding. We currently intend (but are not obligated) to redeem all of the 2023 notes that remain outstanding following the consummation of the tender offer. Nothing in this annual report shall constitute a notice of redemption or an obligation to issue a notice of redemption for the 2023 notes. Any such notice of redemption will be made only pursuant to and in accordance with the applicable indenture for the 2023 notes.

The 2023 notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

2027 Notes

In April 2017, we issued senior notes for an aggregate principal amount of $265.0 million under an indenture dated April 4, 2017, which we refer to as the 2027 notes. The 2027 notes mature on April 4, 2027 and bear interest of 5.875% per year. Interest is paid semiannually on April 4 and October 4, commencing on October 4, 2017. The proceeds from the issuance of the 2027 notes were used to repay the 2016 Secured Loan Agreement and unwind the related derivative instruments, to pay the principal and premium on the 2023 notes in connection with the 2017 Tender Offer and for general corporate purposes.

In September 2020, we announced a reopening of the 2027 notes and issued an additional $150.0 million in aggregate principal amount of the 2027 notes. The notes were issued at a price of 102.250% plus accrued interest from April 4, 2020 and will mature, along with the previously issued 2027 notes, on April 24, 2027. The proceeds from the issuance of the additional 2027 notes were used to repay short-term indebtedness and for general corporate purposes. In addition, on September 15, 2020, we announced the commencement of the 2020 Exchange Offer. In connection with the 2020 Exchange Offer, we issued an additional $138.4 million in aggregate principal amount of the 2027 notes.

From June 2021 to September 2021, we repurchased through open market repurchases and cancelled $17.3 million of the outstanding principal amount of 2027 notes at a price equal to 105.74% (equivalent to $18.3 million) plus accrued and unpaid interest.

On April 18, 2022, we launched a tender offer to purchase for cash up to $150 million aggregate principal amount of the properly tendered (and not validly withdrawn) outstanding 2027 notes. Holders of 2027 notes must validly tender (and not validly withdraw) their 2027 notes by 5:00 p.m., New York time, on April 29, 2022 (such date and time, as it may be extended with respect to the 2027 notes, the "Early Tender Date"), to be eligible to receive the applicable total consideration of U.S.$1,029.38 per U.S.$1,000 principal amount of 2027 notes validly tendered and accepted for purchase plus accrued interest. Holders of 2027 notes that are validly tendered after the Early Tender Date but prior to 11:59 p.m., New York City time, on May 13, 2022, unless extended, terminated early or withdrawn, and that are accepted for purchase will receive the 2027 notes total consideration minus an amount in cash equal to U.S.$30.00 per U.S.$1,000 principal amount of 2027 notes.

The 2027 notes are redeemable at our option under certain circumstances as set forth in the indenture at the applicable redemption prices set forth therein.

The 2027 notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries. The 2027 notes and guarantees (i) are senior unsecured obligations and rank equal in right of payment with all of our and the

guarantors' existing and future senior unsecured indebtedness; (ii) will be effectively junior to all of our and the 'guarantors' existing and future secured indebtedness to the extent of the assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of our subsidiaries that are not guarantors.

The indenture governing the 2027 notes limits our and our subsidiaries' ability to, among other things, (i) incur additional indebtedness; (ii) make certain restricted payments; (iii) create certain liens; (iv) enter into sale and lease-back transactions; and (v) consolidate, merge or transfer assets. These covenants are subject to important qualifications and exceptions. The indenture governing the 2027 notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then-outstanding 2027 notes to be due and payable immediately.

2029 Sustainability-Linked Notes

In April 2022, our subsidiary Arcos Dorados B.V. issued sustainability-linked senior notes for an aggregate principal amount of $350 million under an indenture dated April 27, 2022, which we refer to as the 2029 sustainability-linked notes. The 2029 sustainability-linked notes mature on May 27, 2029 and bear interest of 6.125% per year. Interest on the notes will accrue at a rate of 6.125% per annum from April 27, 2022, payable semi-annually in arrears on May 27 and November 27, commencing on November 27, 2022, and, from and including May 27, 2026 (the "Interest Rate Step-Up Date"), the interest rate payable on the notes may be increased to 6.250% per annum or 6.375% per annum if either or both sustainability performance targets (as described below), respectively, have not been satisfied by December 31, 2025.

For purposes of the 2029 sustainability-linked notes, Arcos Dorados B.V. selected each of the Scope 1 and 2 2025 sustainability target and the Scope 3 2025 sustainability target as the sustainability performance targets. The Scope 1 and 2 2025 sustainability target is to reduce absolute greenhouse gas (GHG) emissions to be equal to or lower than 302,774 tCO_2e by the end of 2025 (the "Scope 1 and 2 2025 Sustainability Target"). The Scope 3 2025 sustainability target is to reduce greenhouse gas (GHG) emission intensity to be equal to or lower than 7.46 tCO_2e per total annual tonnes of food and packaging by the end of 2025 (the "Scope 3 2025 Sustainability Target" and, together with the Scope 1 and 2 2025 Sustainability Target, the "Sustainability Performance Targets").

Under the terms of the notes, if (1) Arcos Dorados B.V. delivers a satisfaction notification in accordance with the indenture to the trustee on or prior to April 27, 2026 (the "Notification Date") certifying that each Sustainability Performance Target was satisfied at or prior to the Notification Date, and that the satisfaction of each Sustainability Performance Target was confirmed by the external verifier in accordance with its customary procedures prior to the Notification Date, the interest rate payable on the notes will remain at the initial rate of interest of 6.125% per annum from and including the Interest Rate Step-Up Date to, and including, the maturity date; (2) Arcos Dorados B.V. delivers a satisfaction notification to the trustee on or prior to the Notification Date certifying that only the greenhouse gas (GHG) emission intensity reduction (Scope 3) Sustainability Performance Target was satisfied at or prior to the Notification Date, and that the satisfaction of the greenhouse gas (GHG) emission intensity reduction (Scope 3) Sustainability Performance Target was confirmed by the external verifier in accordance with its customary procedures, the interest rate payable on the notes will be increased by 12.5 basis points to 6.250% per annum (the "First Step-Up Interest Rate"), which First Step-Up Interest Rate will apply for each interest period from and including the Interest Rate Step-Up Date to, and including, the maturity date; (3) Arcos Dorados B.V. delivers a satisfaction notification to the trustee on or prior to the Notification Date certifying that only the absolute greenhouse gas (GHG) emissions reduction (Scope 1 and 2) Sustainability Performance Target was satisfied at or prior to the Notification Date, and that the satisfaction of the absolute greenhouse gas (GHG) emissions reduction (Scope 1 and 2) Sustainability Performance Target was confirmed by the external verifier in accordance with its customary procedures, the interest rate payable on the notes will be increased by 12.5 basis points to 6.250% per annum (the "Second Step-Up Interest Rate"), which Second Step-Up Interest Rate will apply for each interest period from and including the Interest Rate Step-Up Date to, and including, the maturity date or (4) (i) Arcos Dorados B.V. delivers a satisfaction notification to the trustee on or prior to the Notification Date certifying that neither Sustainability Performance Target was satisfied at or prior to the Notification Date and/or that the external verifier has not confirmed satisfaction of both Sustainability Performance Targets by the Notification Date, or (ii) Arcos Dorados B.V. fails, or is unable, to provide the satisfaction notification to the trustee by the Notification Date, the interest rate payable on the notes will be increased by 25 basis points to 6.375% per annum (the "Third Step-Up Interest Rate" and, together with the First Step-Up Interest Rate and the Second Step-Up Interest Rate, the "Subsequent Rate of Interest"), which Third Step-Up Interest Rate will apply for each interest period from and including the Interest Rate Step-Up Date to, and including, the maturity date.

The proceeds from the issuance of the 2029 sustainability-linked notes were used to fund the tender offers for the 2023 and 2027 notes that were properly tendered (and not validly withdrawn) for cash and the remainder, if any, for general corporate purposes.

The 2029 sustainability-linked notes are redeemable at our option at any time at the applicable redemption prices set forth in the indenture.

The 2029 sustainability-linked notes are fully and unconditionally guaranteed on a senior unsecured basis by us and certain of our subsidiaries. The 2029 sustainability-linked notes and guarantees (i) are senior unsecured obligations and rank equal in right of payment with all of our and the guarantors' existing and future senior unsecured indebtedness; (ii) will be effectively junior to all of our and the guarantors' existing and future secured indebtedness to the extent of the assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of our subsidiaries that are not guarantors.

The indenture governing the 2029 sustainability-linked notes limits Arcos Dorados B.V., our and our subsidiaries' ability to, among other things, (i) incur additional indebtedness; (ii) make certain restricted payments; (iii) create certain liens; (iv) enter into sale and lease-back transactions; and (v) consolidate, merge or transfer assets. These covenants are subject to important qualifications and exceptions. The indenture governing the 2029 sustainability-linked notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then-outstanding 2029 sustainability-linked notes to be due and payable immediately.

Contractual Obligations

The following table presents information relating to our contractual obligations as of December 31, 2021.

	Payment Due by Period						
Contractual Obligations	**Total**	**2022**	**2023**	**2024**	**2025**	**2026**	**Thereafter**
	(in thousands of U.S. dollars)						
Finance lease obligations(1)	$ 9,009	$ 1,177	$ 1,171	$ 1,163	$ 937	$ 374	$ 4,187
Operating lease obligations	$ 1,356,228	123,920	117,671	113,546	109,448	104,785	786,858
Contractual purchase obligations(2)	$ 133,079	65,544	21,847	11,520	11,105	6,302	16,761
2023 and 2027 notes(1) (3)	$ 937,679	44,862	246,619	31,489	31,489	31,489	551,731
Other long-term borrowings(1)	$ 8,375	4,467	2,255	1,653	—	—	—
Derivative instruments	$ (97,445)	8,045	(71,555)	3,037	2,465	1,879	(41,316)
Total	**$ 2,346,925**	**$ 248,015**	**$ 318,008**	**$ 162,408**	**$ 155,444**	**$ 144,829**	**$ 1,318,221**

(1) Includes interest payments.

(2) Includes automatic annual renewals, which contains only enforceable and legally binding unconditional obligations corresponding to prevailing agreements without considering future undefined renewals when the agreement is cancellable by us. This type of purchase obligation represents $1.7 million of contractual obligations for 2022 only.

(3) Does not include the impact of the deferred financing costs and the net discount related to the issue of the 2023 and 2027 notes.

The table set forth above excludes projected payments on our restaurant opening plans and reinvestment plans pursuant to the MFAs in respect of which we do not yet have any contractual commitments. For a description of our restaurant opening and reinvestment plans, see "Item 4. Information on the Company—A. History and Development of the Company—Capital Expenditures and Divestitures."

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

C. Research and Development, Patents and Licenses, etc.

We have not had significant research and development activities for the past three years because we rely primarily on McDonald's research and development. McDonald's operates research and development facilities in the United States, Europe and Asia, and independent suppliers also conduct research activities that benefit McDonald's and us. Within Arcos Dorados, we also have a "Menu Innovation Team" that develops new menu items at a divisional/local level.

D. Trend Information

Our business and results of operations have been impacted by increasingly negative macroeconomic and consumer trends in some of our main markets, which caused us to temporarily close or reduce the operations of a significant percentage of our restaurants during 2020, led to a significant decline in sales and disrupted our supply chain. However, we saw some recovery in economic growth and consumer consumption rates towards the end of 2020 and significant recovery in economic growth and consumer consumption rates in the second half of 2021.

In response to the COVID-19 pandemic and related disruption in regional and global economic activity, we drew on our available revolving credit facilities and short-term lines of credit to stabilize our cash flow and had to obtain waivers for our compliance with financial ratio covenants from our lenders for certain periods in 2020.

Although we stabilized our cash flow in 2020 and successfully re-financed our short-term indebtedness, we may need to draw on our available revolving credit facility short-term credit lines in the future if our liquidity continues to be impacted by the COVID-19 pandemic and we are unable to find alternative sources of funding. In addition, we are required to remain compliant with certain financial ratios under our revolving credit facility. Any default under our lines of credit or revolving credit facility and any inability to draw upon our non-committed lines of credit and revolving credit facility in the future could have an adverse effect on our liquidity, working capital, financial condition and results of operations. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affect our business, results of operations and cash flows."

Our business and results of operations have also recently experienced the following material trends, which we expect will continue in the near term:

- *Social upward mobility in Latin America and the Caribbean:* Historically, our sales have benefited, and we expect to continue to benefit, from our Territories' population size, younger age profile and improving socio-economic conditions when compared to more developed markets. This has led to a modernization of consumption patterns and increased affordability of our products across socio-economic segments, leading to greater demand for our products. While consumer behavior will continue to be cyclical and dependent on macroeconomic activity, we expect to continue to benefit from this trend in the long term.
- *Nutrition & Healthier products*: Growing interest for products that are perceived to be healthy. Consumers are looking for more information regarding nutritional facts and demanding healthier products.
- *Product offerings:* Our beverages, core meals, desserts, breakfast, reduced calorie and sodium products, and value menu item offerings have been popular among customers and—combined with our revenue management—have helped us remain relevant with our customers.
- *Increased competition in some markets:* The popularity of the QSR concept in Latin America has attracted new competitors. Even though we have been able to protect our market share in many of these markets, we have seen a reduction in pricing flexibility and have increased the focus of our marketing efforts on value offerings.
- *Inflationary environment:* Over the last few years, we have been able through our revenue management strategy to partially mitigate cost increase tied to inflation. However, inflation has been, and will continue to be, an important factor affecting our results of operations, specifically impacting our labor costs, food and paper costs, occupancy and other operating expenses and general administrative expenses.

- *Increased volatility of foreign exchange rates and impact of currency controls:* Our results of operations have been impacted by increased volatility in foreign exchange rates in many of the Territories, particularly the significant devaluation of local currencies against the U.S. dollar. We expect that foreign exchange rates will continue to be an important factor affecting our foreign currency exchange results and the "Accumulated other comprehensive loss" component of shareholders' equity and, consequently, our results of operations and financial condition.

- *Social unrest:* Towards the end of 2019, there was a significant uptick in social unrest in several countries in which we operate. There were large social protests against inequality in many of these countries, and certain of our properties were damaged. Although social unrest had generally calmed down by the end of 2019 and during 2020, most of our losses were covered by our insurance, any continuation of or increase in social unrest in 2022 could lead to further damage to our properties, a decline in sales or otherwise negatively impact our results.

- *Environmental Consciousness*: Over the last few years, our customers have demonstrated a growing interest in sustainable practices, including as it relates to limiting food waste and sourcing our ingredients and paper and packaging costs. In particular, movements such as the anti-plastic movement have gained momentum in recent years and caused us to make changes in the sourcing of our raw materials. We may need to make further changes in our supply chain and food and paper costs in the future in order to adequately respond to our customers' focus on sustainability.

- *Changing Consumer Trends*: In 2021, as a result of the COVID-19 pandemic, we saw a significant change in consumer trends whereby demand has focused on cleaner and more hygienic public places. There has also been a shift in consumer habits to eating at home, demanding healthier food options, choosing money-saving options and focusing on relaxing activities.

- *Diversity & Inclusion Consciousness*: There has been a growing consciousness in society generally in living in a more respectful and tolerant environment. Activism on this matter has been growing, increasing the visibility and awareness of companies' diversity and inclusion policies and activities. In particular, there has been a growing focus on activism in support of gender equality. We plan to make some changes in our operations, in line with our support of more gender equality, including, but not limited to, the implementation of gender neutral bathrooms in our restaurants.

E. Critical Accounting Estimates

See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Estimates."

F. Safe Harbor

See "Forward-Looking Statements."

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Board of Directors

Our Board of Directors currently consists of ten members, five of whom are independent directors. In case of a tie vote by the Board of Directors, the Executive Chairman will have the deciding vote. Our memorandum and articles of association authorize us to have eight members, and the number of authorized members may be increased or decreased by a resolution of shareholders or by a resolution of directors.

Pursuant to our articles of association, our Board of Directors is divided into three classes. There is no distinction in the voting or other powers and authorities of directors of different classes. The members of each class serve staggered, three-year terms. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of shareholders in the year in which their term expires. At our most recent annual general meeting of shareholders, held on April 29, 2022, our shareholders re-elected Mrs. Annette Franqui, Mrs. Cristina Presz Palmaka, Mr. Carlos Hernandez-Artigas and Mr. Marcelo Rabach to serve as Class II directors.

The classes are currently composed as follows:

- Mr. Chu, Mr. Vélez and Mr. Fernández are Class III directors, whose term will expire at the annual meeting of shareholders to be held in 2023;
- Mr. Woods Staton, Mr. Alonso and Mr. Francisco Staton are Class I directors, whose term will expire at the annual meeting of shareholders to be held in 2024; and
- Mr. Hernández-Artigas, Mrs. Franqui, Mr. Rabach and Mrs. Presz Palmaka De Luca are Class II directors, whose term will expire at the annual meeting of shareholders to be held in 2025.

Any additional directorships resulting from an increase in the number of directors and any directors elected to fill vacancies on the board will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of our directors. This classification of our Board of Directors may have the effect of delaying or preventing changes in control of our company. Any director may be removed, with or without cause, by a resolution of shareholders or a resolution of directors. Our directors do not have a retirement age requirement under our memorandum and articles of association.

The following table presents the names of the members of our Board of Directors:

Name	Position	Age
Woods Staton	Executive Chairman	72
Marcelo Rabach	CEO	52
Sergio Alonso	Director	58
Annette Franqui	Director	60
Carlos Hernández-Artigas	Director	57
Michael Chu	Director	73
José Alberto Vélez	Director	72
José Fernández	Director	59
Francisco Staton	Divisional President – SLAD	41
Cristina Presz Palmaka De Luca	Director	54

* Mr. Ricardo Gutiérrez Muñoz served on the Board of Directors until the annual meeting of shareholders on April 28, 2021, when his term expired.

The following is a brief summary of the business experience of our directors. Unless otherwise indicated, the current business addresses for our directors is Dr. Luis Bonavita 1294, Office 501, WTC Free Zone, Montevideo, Uruguay (CP 11300) and Roque Saenz Peña 432, Olivos, Buenos Aires, Argentina (B1636 FFB).

Woods Staton. Mr. Staton is our Executive Chairman. He was our Chairman and Chief Executive Officer from 2007 through October 2015. Mr. Staton holds an MBA from the International Institute for Management Development (IMD) in Switzerland and a Bachelor's degree in economics from Emory University in Atlanta. As McDonald's joint venture partner, Mr. Staton opened the first McDonald's restaurant in Argentina in 1986 and later served as President of McDonald's South Latin American Division. He founded Arcos Dorados in 2007 when he led a consortium of investors in the purchase of McDonald's operations in Latin America. Mr. Staton is co-founder of Endeavor Argentina, an organization for promoting entrepreneurship. He is a member of the Latin America Advisory Board of Harvard Business School and is also a Board Member of the IMD Foundation in Lausanne, Switzerland. In addition, he serves as Chair of the Advisory Board of the Latin American Program at the Woodrow Wilson International Center for Scholars and is also on the Chairman's International Advisory Council of the Americas Society/Council of the Americas.

Marcelo Rabach. Mr. Rabach, has been our Chief Executive Officer since July 2019. Prior to his appointment, he was the Chief Operating Officer from August 2015 to July 2019, Divisional President for NOLAD from 2013 to August 2015, Vice President of Operations Development since 2012 and Divisional President in Brazil since 2008. He graduated with a degree in Business Administration from Universidad Argentina de la Empresa in 2002. He began his career at McDonald's Argentina in 1990 and has over 20 years of line operations experience, starting as a crew employee and steadily advancing into larger operational roles. From 1999 until his appointment as McDonald's Chief Operating Officer in Venezuela in 2005, Mr. Rabach was responsible for the operations, real estate, construction, human resources, local store marketing, and training and franchising of a region within Argentina, holding the positions of Operations Manager and Operations Director. He was the Chief Operating Officer in Venezuela from 2005 until 2008.

Sergio Alonso. Mr. Alonso has been a member of our board of directors since 2010. Mr. Alonso was our Chief Executive Officer from 2015 to 2019 and was, prior to his appointment as such, our Chief Operating Officer from 2007 to 2015. Prior to that, he was McDonald's Divisional President in Brazil. He graduated with a degree in Accounting from Universidad de Buenos Aires in 1986. Mr. Alonso has completed the Corporate Director Certification Program at Harvard Business School. He began his career at McDonald's as Accounting Manager and subsequently moved to the operations area, eventually being promoted to Vice President of Operations in six years. From 1999 until 2003, Mr. Alonso was involved in the development of the Aroma Café brand in Argentina. In addition, in July 2017, Mr. Alonso was appointed as a member of the board of directors of Loma Negra Compañía Industrial Argentina S.A., a leading cement producer in Argentina.

Annette Franqui. Mrs. Franqui has been a member of our board of directors since 2007 and is a member of the Compensation and Nomination Committee and the Finance Committee of the Board of Directors of Arcos Dorados. She graduated with a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania in 1984 and an MBA from the Stanford Graduate School of Business in 1986. She is also a Chartered Financial Analyst. Mrs. Franqui began her career in 1986 with J.P. Morgan and joined Goldman Sachs in 1989. In 1994, she returned to J.P. Morgan where she became a Managing Director and the Head of the Latin America Research Department. Mrs. Franqui joined Panamco in 2001 as Vice President of Corporate Finance and became the Chief Financial Officer in 2002. She is one of the founding partners of Forrestal Capital and is a board member of many of its portfolio companies as well as of LatAm, LLC. She is the Chairman of the Board of AARP on a volunteer basis.

Carlos Hernández-Artigas. Mr. Hernández-Artigas has been a member of our board of directors since 2007 and is Chairman of the Compensation and Nomination Committee. Mr. Hernandez is an independent board member. He graduated from the Escuela de Derecho at Universidad Panamericana, in 1987 and University of Texas at Austin, School of Law in 1988. He received an MBA from IPADE in Mexico City in 1996. Mr. Hernández-Artigas worked as a lawyer for several years in Mexico and as a foreign attorney in Dallas, Texas and New York. He served as the General Counsel, Chief Legal Officer and Secretary of Panamco for ten years. He is an advisor at Big Sur Partners in Miami, Florida and is currently a board member of MAC Hospitales in Mexico.

Michael Chu. Mr. Chu has been an independent member of our board of directors since April 2011 and is a member of our Audit Committee. He graduated with honors from Dartmouth College in 1968 and received an MBA with highest distinction from the Harvard Business School in 1976. From 1989 to 1993, Mr. Chu served as an executive and limited partner in the New York office of the private equity firm Kohlberg Kravis Roberts & Co. From 1993 to 2000, Mr. Chu was with ACCION International, a nonprofit corporation dedicated to microfinance, where he served as President and CEO and participated in the founding and governance of various banks in Latin America. Mr. Chu currently holds an appointment as Senior Lecturer at the Harvard Business School, where he is the Faculty Chair for Latin America, and is Partner Emeritus and cofounder of the IGNIA Fund, a venture capital firm dedicated to investing in disruptive business models serving the emerging middle class and low-income populations in Mexico and Latin America. He was a founding partner of, and continues to serve as Senior Advisor to, Pegasus Group, a private equity firm in Buenos Aires. He also serves on the board of Takeoff Technologies, Inc, a private company in Boston, Massachusetts.

José Alberto Vélez. Mr. Vélez has been an independent member of our board of directors since June 2011 and is a member of our Audit Committee. Mr. Vélez received a Master of Science degree in Engineering from the University of California, Los Angeles, and a degree in Administrative Engineering from Universidad Nacional de Colombia. Mr. Vélez previously served as the CEO of Suramericana de Seguros, the leading insurance company in Colombia, and as the CEO of Inversura, a holding company that integrates the leading insurance and social security companies in Colombia. He was the Chief Executive Officer of Cementos Argos S.A. between 2003 and 2012. From 2012 until March 2016, he was the President of Grupo Argos, a holding group with investments in cement, energy and infrastructure concessions (roads and airports). He is currently a member of the Boards of Directors of Grupo Crystal, Grupo Daabon in Colombia and the Board of Trustees of the Universidad EAFIT. In addition, he is member of the Latin American Chapter of the Wilson Center in Washington D.C.

José Fernández. Mr. Fernandez has been an independent member of our board of directors since October 1, 2013 and in December 2021 he was appointed as a member of the Audit Committee. Mr. Fernández was the Divisional President of operations for SLAD until 2013. Mr. Fernández is a Mechanical Engineer from Instituto Tecnológico Buenos Aires and began his career at McDonald's in 1986. He held the positions of Development Director, Development Vice President and Managing Director of McDonald's Argentina before becoming the Divisional President of operations of SLAD. In August 2019, Mr. Fernández was appointed as a member of the board of directors of Cencosud Shopping S.A. in Chile.

Francisco Staton. Mr. Francisco Staton has been a member of our board of directors since April 2018. Mr. Francisco Staton is Divisional President for the SLAD Division. Prior to his appointment as such in October 2021, he was Divisional President for the Caribbean Division, and until 2019 Arcos Dorados' Managing Director for Colombia, Aruba, Curaçao and Trinidad & Tobago. He joined the Arcos Dorados executive team in 2013 as Senior Manager of Business Development for our NOLAD Division. Prior to serving as Senior Manager of Business Development for our NOLAD Division, he held different operating roles within the organization and also worked as a consultant at the Boston Consulting Group office in Buenos Aires. He completed his undergraduate studies at Princeton University in 2003, and subsequently earned an MBA from Columbia Business School in 2010. He has served on the board of Princeton in Latin America since 2015. Mr. Francisco Staton is the son of our Executive Chairman, Woods Staton.

Cristina Presz Palmaka De Luca. Ms. Palmaka has been an independent member of our board of directors since November 12, 2019. Ms. Palmaka has been the President of SAP Latin America since August 2020, following 7 years as President of SAP Brazil. Ms. Palmaka also sits on C&A board of directors and on Eurofarma advisory board. Ms. Palmaka holds an accounting degree from Fundação Álvares Penteado (Brazil) and received her MBA from Fundação Getúlio Vargas (Brazil). She also holds a master's degree in International Business & Marketing from the University of Texas.

Executive Officers

Our executive officers are responsible for the management and representation of our company. We have a strong centralized management team led by Mr. Marcelo Rabach, our CEO, with broad experience in development, revenue, supply chain management, operations, finance, marketing, legal affairs, human resources, communications and training. Most of our executive officers have worked in the food service industry for several years. Many of the members of the management team have a long history with McDonald's operations in Latin America and the Caribbean and with Mr. Rabach, as they have worked together as a team for many years. Our executive officers were appointed by our Board of Directors for an indefinite term.

The following table lists our current executive officers:

Name	Position	Initial Year of Appointment	At Arcos Dorados Since
Marcelo Rabach	Chief Executive Officer	2019	1990
Luis Raganato	Chief Operating Officer	2019	1991
Mariano Tannenbaum	Chief Financial Officer	2017	2008
Juan David Bastidas	Chief Legal Counsel	2010	2010
Paulo Camargo	Divisional President—Brazil	2015	2011
Gustavo Pascualino(1)	Divisional President—NOLAD	2021	1989
Francisco Staton(2)	Divisional President—SLAD	2021	2013
Sebastian Magnasco	Vice President of Development	2007	1994
Santiago Blanco	Chief Marketing and Digital Officer	2019	2019
Diego Benenzon	Vice President of Human Resources	2014	2009
Karina Montiel(3)	Vice President of Supply Chain	2021	1996
Marlene Fernandez del Granado	Vice President of Government Relations	2011	2009
David Grinberg	Vice President of Corporate Communications	2018	2010
Magdalena Gonzalez Victorica(4)	Chief Technology Officer	2021	1999
Daniel Schleiniger	Vice President of Investor Relations	2020	2020
Gabriel Serber	Vice President of Social Impact and Sustainable Development	2021	1990

(1) Rogerio Barreira served as our Divisional President for NOLAD until March 31, 2021, when he was replaced by Gustavo Pascualino.

(2) Alejandro Yapur served as our Divisional President for SLAD until September 30, 2021, when he was replaced by Francisco Staton.

(3) Jose Valledor Rojo served as our Vice President of Supply Chain until June 30, 2021, when he was replaced by Karina Montiel.

(4) Marco Cordon served as our Chief Transformation Officer until October 31, 2021, when he was replaced by Magdalena Gonzalez Victorica.

The following is a brief summary of the business experience of our executive officers who are not also directors. Unless otherwise indicated, the current business addresses for our executive officers is Roque Saenz Peña 432, Olivos, Buenos Aires, Argentina (B1636 FFB) and Dr. Luis Bonavita 1294, Office 501, WTC Free Zone, Montevideo, Uruguay.

Luis Raganato. Mr. Raganato, 51, has been our Chief Operating Officer since July 2019. Prior to his appointment as such, he was the Divisional President for the Caribbean, and before that, the General Director of Arcos Dorados in Peru. Mr. Raganato began his career at Arcos Dorados in 1991 as a Trainee in the Nuevocentro Shopping location in the province of Córdoba, Argentina and has held various positions in Operations Management over the years. Mr. Raganato holds a Bachelor's degree in Business Administration from Instituto Aeronáutico de Argentina, a Master's degree in Marketing and Business Development from Escuela Superior de Estudios de Marketing de Madrid and an MBA from Universidad de Piura, Peru.

Mariano Tannenbaum. Mr. Tannenbaum, 48, is our Chief Financial Officer. He joined Arcos Dorados in 2008 and has held several positions at the corporate level, with his last position being Senior Director of Corporate Finance. Previously, Mr. Tannenbaum had a long international career in Europe and the United States. He worked for the IFG Group in Switzerland, for Tyco International in Switzerland and Princeton, New Jersey and for Sabre Holdings in London. He began his career working for an economic consulting firm in Argentina as well as for the Argentine government, as part of the Ministry of Treasury and Public Finances. Mr. Tannenbaum has an economics degree from the Universidad de Buenos Aires, a Master's in finance from the Universidad Torcuato Di Tella and an MBA with a concentration in finance from the London Business School.

Juan David Bastidas. Mr. Bastidas, 54, is our Chief Legal Counsel. He attended Universidad Pontificia Bolivariana in Colombia, where he received a Law Degree in 1989. He graduated in 1990 as a Business Law Specialist from the same university. He also pursued postgraduate studies in Business Administration at New York University, which he completed in 1994. He also graduated in 2000 from the International Business program at EAFIT University and from the Senior Management Program at Los Andes University, which he completed in 2009 in Colombia. He also attended the Executive Directors Training Program from IAE Business School in Argentina (2017). Mr. Bastidas worked from 1994 to 1995 as an international operations lawyer for Banco Industrial Colombiano (Bancolombia). He served as Chief Legal Counsel and Secretary of the board of directors of Interconexión Electrica S.A. E.S.P.–ISA from 1995 to 2010 before joining us in July 2010.

Paulo Camargo. Mr. Camargo, 54, was appointed Divisional President for Brazil in October 2015. Prior to Mr. Camargo's promotion, he served as Vice President of Operations for the Brazil Division for four years. Mr. Camargo has over 20 years of experience in the consumer, retail and services industry. He has worked for companies such as PepsiCo, FASA Corporation and Iron Mountain across a variety of geographies. Before joining Arcos Dorados in 2011, he was President of the Spain Division at Iron Mountain. Mr. Camargo holds a postgraduate degree in Business Administration from Mackenzie University in São Paulo, and also holds an MBA from Universidad Europea de Madrid.

Gustavo Pascualino. Mr. Pascualino, 53, was appointed Divisional President for NOLAD in April 2021. Prior to his promotion, Mr. Pascualino served as Operations Vice President for the Brazil Division, beginning in 2016. He began his career in 1989 as a crew member in Buenos Aires, Argentina. In addition to his most recent role in Brazil, Mr. Pascualino held various leadership positions in operations, including Operations Director for Puerto Rico and the Caribbean Division and Corporate Operations Development Director. Mr. Pascualino has a degree in Marketing from Universidad de Morón in Buenos Aires, Argentina, and has also received executive training from the IAE Business School in Argentina and the University of Miami.

Sebastian Magnasco. Mr. Magnasco, 52, is our Vice President of Development and served, prior to his appointment as such in 2007, in the same capacity in SLAD. He graduated in 1990 with a degree in Engineering from Instituto Tecnológico Buenos Aires and completed a post graduate Management Development Program in Business from I.A.E. Management and Business School in 2001. He began his career at McDonald's in 1994 and held the positions of Real Estate & Equipment Director of Argentina and IT, Real Estate and Equipment Director of Argentina until his appointment as Vice President of Development of SLAD in 2005.

Santiago Blanco. Mr. Blanco, 51, is our Chief Marketing and Digital Officer. He joined the company in 2019 and is responsible for designing and implementing the marketing and digital strategy. Prior to joining Arcos Dorados, he served as Chief Marketing, Digital & Communications Officer at ALSEA from 2017 to 2019. Mr. Blanco holds a Bachelor's degree in Marketing from the Instituto Tecnológico de Monterrey and an MBA from University of Texas at Austin.

Diego Benenzon. Mr. Benenzon, 55, is our Vice President for Human Resources. He joined the Company in June 2009. He has extensive experience as an executive of high responsibility in multinational companies. He has also served as a senior consultant to various large companies and NGOs and has teaching experience. Mr. Benenzon graduated with a degree in psychology from Universidad John F. Kennedy and holds postgraduate degrees on strategic consultancy and organizational behaviors. He also graduated from the Management Development Program at IAE Business School.

Marlene Fernandez. Ms. Fernandez, 60, is Corporate Vice President for Government Relations. Prior to joining Arcos Dorados in 2009, she served as an elected Member of the House of Representatives in Bolivia where she held various leadership positions, including Ambassador of Bolivia to the United States of America, Ambassador to the Organization of American States, Ambassador to the Government of Italy and Representative of Bolivia to different specialized agencies of the United Nations. She was also Bureau Chief and Main Political Correspondent for CNN Spanish in Washington, D.C. Ms. Fernandez holds a Master of Science in Broadcast Journalism from Boston University, graduated Summa Cum Laude from the Universidad Argentina John. F. Kennedy and has completed courses in Finance for Executives, Strategic Communications, Conflict Resolution and Negotiations in Conflict at Harvard University.

David Grinberg. Mr. Grinberg, 43, is our Vice President of Corporate Communications. Mr. Grinberg joined Arcos Dorados in 2010, as Sports Marketing Director to coordinate our sponsorship of the FIFA World Cup Brazil 2014 and 2016 Rio Olympic Games. He later served as Corporate Communications Director for the Brazil Division, before assuming his current role. Mr. Grinberg came from Samsung of Brazil where he led the Sports Marketing and Communications team. Prior to that, he served as Corporate Communications Director, Brazil Division of Nike. Mr. Grinberg holds a Bachelor's Degree in Social Communication from FIAM in São Paulo, Brazil and a Master's Degree in Corporate Communication & Public Affairs from the Cásper Líbero Foundation, also in São Paulo, Brazil.

Daniel Schleiniger. Mr. Schleiniger, 48, is our Vice President of Investor Relations. He joined Arcos Dorados in 2014 and, after leaving us to serve as Vice President of Investor Relations for BrightView Holdings, Inc. from October 2018 to December 2019, Mr. Schleiniger rejoined the Company in January 2020. Prior to joining Arcos Dorados, he worked at the Cisneros Group from 2000 to 2014, holding positions in investor relations, finance and treasury. Mr. Schleiniger's experience also includes equity research at Morgan Stanley, corporate banking with Unibanco and consulting work for Wharton Econometric Forecasting Associates (WEFA). He holds a Bachelor of Science degree in chemistry as well as an MBA with a concentration in finance, both from the University of Delaware.

Gabriel Serber. Mr. Serber, 50, is our Vice President of Social Impact and Sustainable Development. He started his career in 1990 as a crew member in one of our restaurants in Buenos Aires, Argentina. He rose through the operation's ranks until 2002, where he moved to McDonald's global headquarters in Chicago to work as an operations manager, among other roles. He continued his tenure in Europe based in Paris where he was responsible for leading the deployment of several operational programs in Spain, Italy, Belgium, Holland, Portugal, Switzerland, Morocco and Greece. In 2008, he returned to Argentina in the role of Corporate Director of Operations Development. In 2013, he was transferred to Puerto Rico, where he was promoted to Managing Director for the Caribbean Region. In 2017, he returned to Argentina as Managing Director for that market. Finally, in 2019, he assumed the leadership of our Social Impact and Sustainable Development team, where he oversees all ESG matters for Arcos Dorados. Mr. Serber is a business graduate from Universidad Nacional de General San Martin in Buenos Aires, Argentina and has completed post graduate studies at the IAE Business School.

Karina Montiel. Mrs. Montiel, 49, is our Vice President of Supply Chain, having been appointed to the position in July 2021. She joined Arcos Dorados in 1996 as an administrative assistant while she completed her university studies. Since then, she began a path of constant growth within the Company, beginning with various positions within the finance department. In 2014, Mrs. Montiel took on a new role when she became Managing Director for the Uruguay market and, four years later, she became Finance Director for the Brazil Division. She has been recognized for her achievements and commitment to Arcos Dorados as a President's Award recipient in 2012 and also by McDonald's Corporation's Global Women's Leadership Network in 2018. Mrs. Montiel holds a degree in accounting from the Universidad de la República de Uruguay and a Senior MBA from the IEEM of the Universidad de Montevideo.

Magdalena Gonzalez Victorica. Mrs. Gonzalez Victorica, 47, is our Chief Technology Officer, having been appointed to this position in October 2021. She joined the Company's Finance Department in Argentina in September 1999 and, after the formation of Arcos Dorados, she was involved in implementing and/or leading information technology projects in Mexico and Puerto Rico as well as establishing and then leading the Company's Shared Services Center. In January 2011, she assumed the position of Business Services Director, responsible for Technology, Projects and the Shared Services Center. Mrs. Gonzalez Victorica was later appointed to lead the Company's Experience of the Future (EOTF) restaurant modernization initiative, with the first EOTF restaurant opening at the end of 2016. Beginning in 2019, she became responsible for the Digital Factory "ADvance," which was created to accelerate the Company's digital transformation. Mrs. Gonzalez Victorica holds a Bachelor's Degree in Accounting from the Universidad Católica Argentina.

B. Compensation

Long-term and Equity Incentive Plans

Equity Incentive Plans

The 2011 Plan

In March 2011, we adopted an equity incentive plan (the "2011 Plan"), to attract and retain the most highly qualified and capable professionals and to promote the success of our business. The 2011 Plan is being used to reward certain employees for the success of our business through an annual award program. The 2011 Plan permits grants of awards relating to class A shares, including awards in the form of share (also referred to as stock) options, restricted shares, restricted share units, share appreciation rights, performance awards and other share-based awards as will be determined by our Board.

The maximum number of shares that may be issued under the 2011 Plan is 5,238,235 class A shares, equal to 2.5% of our total outstanding class A and class B shares immediately following our initial public offering on April 14, 2011. In 2021, 251,623 class A shares were issued pursuant to the 2011 Plan.

We carried out a special grant of stock options and restricted share units in 2011 in connection with our initial public offering, which are fully vested. We also made recurring grants of stock options and restricted share units in each of the fiscal years from 2011 to 2019 (from 2015 to 2019 only restricted share units). Units granted from 2011 to 2015 are fully vested. Both types of these recurring annual awards vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries, except for the 2019 award which vested on May 10, 2020. In the event of death, disability or retirement of the employee, any unvested portion of the annual award will fully vest. For all grants, each stock option granted represents the right to acquire one class A share at it's a strike price equal to fair market value, while each restricted share unit represents the right to receive one class A share when vested.

The following table shows unvested restricted share units as of December 31, 2021:

Date of the grant	Restricted share units
May 10, 2016	0
May 10, 2017	53,091
May 10, 2018	133,705

Phantom RSU Award

In May 2019, we implemented a new long-term incentive plan (the "Phantom RSU Plan") to provide employees the opportunity to share in the success of the Company. Through this plan, we grant phantom restricted share units ("Phantom RSUs"). When vested, Phantom RSUs entitle the employee to a cash payment equal to the closing price of one class A shares on the date of vesting, including any dividends declared and paid on the class A shares, if any, since the grant date. In the event of death, disability or retirement of the employee, any unvested portion of the annual amount will fully vest.

There are four types of Phantom RSUs:

- Type one Phantom RSUs vest over a requisite service period of five years as follows: 40% at the second anniversary of the date of grant and 20% at each of the following three years.
- Type two Phantom RSUs vest 100% on the fifth anniversary of the grant date.
- Type three Phantom RSUs vest 100% on the third anniversary of the grant date.
- Type four Phantom RSUs vest 100% on April 30, 2022.

We recognize compensation expense related to these benefits on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. The total compensation cost as of December 31, 2021 and 2020, relating to the Phantom RSUs amounted to $3.5 million and $1.2 million, respectively, and is recorded under "General and administrative expenses" within the consolidated statement of (loss) income. The accrued liability is remeasured at the end of each reporting period until settlement.

The following table shows Phantom RSUs outstanding as of December 31, 2021:

Date of the grant	Phantom RSU, Type 1	Phantom RSU, Type 2	Phantom RSU, Type 3	Phantom RSU, Type 4
May 10, 2019	199,972	1,027,441	—	—
May 10, 2020	—	—	768,982	—
May 10, 2021	—	—	—	44,093

See Note 17 to our consolidated financial statements for additional information.

Compensation of Directors and Officers

General

The approximate aggregate annual total cash compensation for our executive officers in 2021, was $9.8 million. The approximate annual total cash compensation for our directors in 2021 was $1.1 million. We also issued an aggregate of 44,093 Phantom RSUs to our directors in 2021.

We have not entered into any service contracts with our directors to provide for benefits upon termination of employment.

C. Board Practices

Our Committees

Audit Committee

Our audit committee consists of three directors, Mr. Michael Chu (chairman of the committee), Mr. José Alberto Vélez and Mr. Jose Fernandez, who are independent within the meaning of the SEC and NYSE corporate governance rules applicable to foreign private issuers. Our Board of Directors has determined that Mr. Chu, Mr. Vélez and Mr. Fernandez are also "audit committee financial experts" as defined by the SEC.

The charter of the audit committee states that the purpose of the audit committee is to assist the Board of Directors in its oversight of:

- the integrity of our financial statements;
- the annual independent audit of our financial statements, the engagement of the independent auditor and the evaluation of the qualifications, independence and performance of our independent auditor;
- the performance of our internal audit function; and
- our compliance with legal and regulatory requirements.

Compensation and Nomination Committee

Our compensation and nomination committee consists of Mr. Carlos Hernández-Artigas (chairman of the committee), Ms. Annette Franqui and Mr. Sergio Alonso. Pursuant to its charter, the compensation and nomination committee is responsible for, among other things:

- approving corporate goals and objectives relevant to compensation, evaluating the performance of executives in light of such goals and objectives and recommending compensation based on such evaluation, recommending any long-term incentive component of compensation and approving the compensation of our executive officers;
- reviewing and reporting to the board of directors on our management succession plan and on compensation for directors;
- evaluating our compensation and benefits policies;
- evaluating the structure of our board of directors;
- nominating candidates to executive positions and to the board of directors; and
- reporting to the board periodically.

Finance Committee

Our Finance committee was created by the Board of Directors in December, 2021. The Finance Committee consists of Mrs. Annette Franqui (chair of the committee), Mr. Sergio Alonso and Mr. Woods Staton. Pursuant to its charter, the Finance committee is responsible for, among other things:

- reviewing and making recommendations to the Board with respect to the Company's capital structure, indebtedness, debt management and capital markets operations;
- recommending to the Board of Directors dividends to shareholders and other shareholder actions;
- reviewing policies with respect to financial risk assessment and financial risk management, when deem necessary;
- reviewing any significant financial exposure and contingent liabilities of the Company, including foreign exchange, interest rate, and commodities exposure and the use of derivatives to hedge those risks; and
- reviewing the financial aspects of insurance programs with management.

D. Employees

Our employees are a crucial component of our customers' restaurant service experience. As such, we consistently train our employees to deliver fast and friendly service through a series of training programs. We support our McDonald's-based training programs with an extensive set of quality controls throughout production, processing and distribution and also in our restaurants, where we monitor restaurant managers' performance and use ongoing external customer satisfaction opportunity reports that analyze key operating indicators.

Our employees can be divided into three different categories: crew, restaurant managers and professional staff. Due to the different tasks of each of these categories of employees, turnover rates differ significantly. Crew turnover is considerably higher than turnover for managers and professional staff.

As of December 31, 2021, we had a total of approximately 81,256 employees in Company-operated restaurants and staff throughout the Territories. Of this number, 83% were crew, 13% were restaurant managers and the remainder were professional staff. Approximately 42% of our employees were located in Brazil.

We have various types of employment arrangements with our employees in Brazil. Some of our employees receive monthly wages whereas others are paid by the hour, and all of our employees have fixed work schedules due to a settlement signed with Labor Prosecutor Office of the State of Pernambuco. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—Brazilian Labor Litigation." Most of our employees in Brazil, in particular students and minors, work schedules of less than 180 hours per month. Brazilian law requires that employers provide a minimum monthly wage, which, in the case of employees who are paid by the hour, is prorated in terms of wages per hour.

The following table illustrates the distribution of our employees by division and employee category as of December 31, 2021.

Division	Crew	Restaurant Managers	Professional Staff	Total
Brazil	28,510	4,093	1887	34,490
NOLAD	13,565	2,796	642	17,003
SLAD	25,207	3,388	813	29,408
Corporate and other	—	—	355	355
Total	**67,282**	**10,277**	**3,697**	**81,256**

Restaurant managers are responsible for the daily management of our restaurants. As such, we have a comprehensive training program for them that is focused on customer management practices, food preparation and other operational procedures. Standards are taught and continuously reinforced through the use of such training programs. We also use performance measurements on a continual basis, both internally and externally in connection with all our restaurants. Our internal on-site visit restaurant operations improvement process evaluates operational standards, which are compared globally to assure continuous improvement. We also contract third parties, which we refer to as third-party shoppers, to visit our restaurants anonymously and report on our performance. Our external third-party shopper measurements and customer satisfaction opportunity reports help maintain our competitiveness. In addition, Hamburger University provides restaurant managers, mid-managers and owner/operators with training on best practices in different aspects of our business. In 2021, approximately 129,677 people attended different courses or events, in person or online, organized by Hamburger University in areas such as restaurant and customer management, sales, diversity and inclusion, leadership and digital transformation.

The role performed by our crew is of critical importance in our interactions with our customers. Employee relations are thus key to maintaining the level of motivation and enthusiasm on the part of our crew that help differentiate our restaurants from those of our competitors. We have been recognized by many independent organizations for being a "great place to work."

Although we have unions in some of our most important markets, including Brazil, Argentina and Mexico, the unions only have an active role in our Brazil restaurants. In these markets, the restaurant industry is unionized by law. However, in Brazil every employee and company are necessarily represented by unions. Workers unions can negotiate directly with companies through Collective Bargaining Agreements ("CBAs"), or with the company's union through Collective Convention. Under Brazilian law, employees or groups of employees cannot opt-out of the terms under union agreements, which integrate the employment contract for all legal purposes. In Brazil, the CBA or the Collective Convention should provide, on a yearly basis, the salary adjustment to be afforded by all employees, and may also provide certain additional guarantees or rights, to be applicable to all employees, regardless of their unit or position in the company, during a certain term (maximum of two years). All collective agreements are mandatory in Brazil.

On November 11, 2017, an overhaul in the labor laws in Brazil (the "Labor Overhaul") entered into effect and brought significant changes to labor relations and labor law itself. Prior to the Labor Overhaul, the Consolidated Labor Statutes governed labor relations in Brazil. The Labor Overhaul introduces and changes several articles of the Consolidated Labor Statutes aiming to give more flexibility and legal certainty to the legal framework around labor relations thus meeting current demands of modern society. Out of several changes made in the Labor Overhaul, the most relevant for us is a change providing that collective labor agreements (CBAs or Collective Convention) will now prevail over statutory law in certain circumstances, giving priority to what has been agreed over what has been legislated and providing greater autonomy to the parties.

E. Share Ownership

The following table presents the beneficial ownership of our shares owned by our directors and officers as of the date of this annual report. Other than those persons listed below, none of our directors or officers beneficially own any of our shares.

Shareholder	Class A Shares	Percentage of Outstanding Class A Shares[1]	Class B Shares	Percentage of Outstanding Class B Shares[1]	Total Economic Interest[1]	Total Voting Interest[1][2]
Los Laureles Ltd.[3][4]	—	—	80,000,000	100.00 %	38.01 %	75.40 %
Woods Staton[4]	50	—	—	—	—	—
Sergio Alonso	*	*	—	—	*	*
Annette Franqui	*	*	—	—	*	*
Carlos Hernández-Artigas	*	*	—	—	*	*
Juan David Bastidas	*	*	—	—	*	*
Karina Montiel	*	*	—	—	*	*
José Fernandez	*	*	—	—	*	*
Marcelo Rabach	*	*	—	—	*	*
Mariano Tannenbaum	*	*	—	—	*	*
Sebastian Magnasco	*	*	—	—	*	*
Diego Benenzon	*	*	—	—	*	*
Marlene Fernandez	*	*	—	—	*	*
Luis Raganato	*	*	—	—	*	*
Gustavo Pascualino[5]	*	*	—	—	*	*
Paulo Camargo	*	*	—	—	*	*
Santiago Blanco	*	*	—	—	*	*
David Grinberg	*	*	—	—	*	*
Francisco Staton	*	*	—	—	*	*
Magdalena Gonzalez Victorica	*	*	—	—	*	*
Daniel Schleiniger	*	*	—	—	*	*
Gabriel Serber	*	*	—	—	*	*

* Each of these directors and officers beneficially owns less than 1% of the total number of outstanding class A shares.

(1) Percentages are based on 130,478,322 class A shares issued and outstanding as of the date of this annual report and exclude 2,309,062 class A shares issued and held in treasury.

(2) Class A shares are entitled to one vote per share and class B shares are entitled to five votes per share.

(3) Los Laureles Ltd. is beneficially owned by Mr. Woods Staton, our Executive Chairman. See "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders—Los Laureles Ltd."

(4) In addition to the class B shares he beneficially owns through Los Laureles Ltd., Mr. Woods Staton beneficially owns 50 class A shares (excluding 25,046 unvested restricted share units) directly, and indirectly through Chablais Investments S.A. ("Chablais"). On a combined basis, Mr. Woods Staton is the beneficial owner of an aggregate of 38.01% of the total economic interests of Arcos Dorados and 75.40% of its total voting interests. The address of Mr. Woods Staton is Mantua No. 6575 (esquina Potosí), Montevideo, Uruguay 11500. The address of Chablais is Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, BVI.

(5) Rogerio Barreira served as our Divisional President for NOLAD until March 31, 2021, when he was replaced by Gustavo Pascualino.

As of the date of this annual report, our 16 officers had been granted (i) a total of 872,473 restricted share units pursuant to the 2011 Plan. For more information, see "—B. Compensation—Long-term and Equity Incentive Plans" above.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of the date of this annual report, under our memorandum and articles of association, we are authorized to issue a maximum of 420,000,000 class A shares, no par value per share, and 80,000,000 class B shares, no par value per share. Each of our class A shares entitles its holder to one vote. Each of our class B shares entitles its holder to five votes. Los Laureles Ltd., our controlling shareholder, owns 38.01% of our issued and outstanding share capital, and 75.40% of our voting power by virtue of its ownership of 100% of our class B shares. The following table presents the beneficial ownership of our shares based on the most recent information available as of the date of this annual report:

Shareholder	Class A Shares	% of Outstanding Class A Shares	Class B Shares[1]	% of Outstanding Class B Shares[1]	Total Economic Interest[1]	Total Voting Interest[1] [2]
Los Laureles Ltd[3][4]	—	—	80,000,000	100.0 %	38.01 %	75.40 %
Woods Staton[4]	50	—	—	—	—	—
Invesco Ltd.[6]	19,527,756	14.97 %	—	—	9.28 %	3.68 %
TIAA Board of Overseers[5]	17,989,308	13.79 %	—	—	8.55 %	3.39 %
Remaining Public Shareholders	92,961,208	71.24 %	—	—	44.16 %	17.52 %
Total[7][8]	**130,478,322**	**100.00%**	**80,000,000**	**100.00 %**	**100.00 %**	**100.00%[8]**

(1) Percentages are based on 130,478,322 class A shares issued and outstanding as of the date of this annual report and exclude 2,309,062 class A shares issued and held in treasury.

(2) Class A shares are entitled to one vote per share and class B shares are entitled to five votes per share.

(3) The address of Los Laureles Ltd. is 325 Waterfront Drive, Omar Hodge Building, 2nd Floor, Wickham's Cay 1, Road Town, Tortola, British Virgin Islands. Los Laureles Ltd. is beneficially owned by Mr. Woods Staton, our Executive Chairman. Los Laureles Ltd. established a voting trust with respect to the voting interests in us held by Los Laureles Ltd. Los Laureles Ltd. is the beneficiary of the voting trust. See "—Los Laureles Ltd."

(4) In addition to the class B shares he beneficially owns through Los Laureles Ltd., Mr. Woods Staton beneficially owns 50 class A shares (excluding 25,046 unvested restricted share units) directly, and indirectly through Chablais Investments S.A. ("Chablais"). On a combined basis, Mr. Woods Staton is the beneficial owner of an aggregate of 38.01% of the total economic interests of Arcos Dorados and 75.40% of its total voting interests. The address of Mr. Woods Staton is Mantua No. 6575 (esquina Potosí), Montevideo, Uruguay 11500. The address of Chablais is Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, BVI.

(5) TIAA Board of Overseers is the ultimate parent of four funds, which filed Form 13F with the SEC on December 31, 2021: Teachers Advisors, LLC, TIAA-CREF Investment Management LLC, Nuveen Asset Management LLC and US Bancorp Asset Management, Inc. Based solely on the disclosure set forth in such Form 13F, as of December 31, 2021, these four funds together had sole voting power with respect to 17,989,308 class A shares and sole dispositive power with respect to 17,989,308 class A shares. The address of TIAA Board of Overseers is 730 Third Avenue, New York, NY 10017-3206.

(6) Invesco Ltd. is the ultimate parent of four funds, which filed Form 13F with the SEC on December 31, 2021: Invesco Advisers, Inc., Invesco Asset Management Ltd., Invesco Canada Ltd. and Invesco Hong Kong Ltd. Based solely on the disclosure set forth in such Form 13F, as of December 31, 2021, these four funds together had sole voting power with respect to 19,527,756 class A shares and sole dispositive power with respect to 19,527,756 class A shares. The address of Invesco Ltd. is 1555 Peachtree Street NE, Suite 1800, Atlanta, GA 30309.

(7) Numbers do not sum to 100% due to the effects of rounding.

(8) Excludes 2,309,062 class A shares issued and held in treasury.

As of April 25, 2022, there were 6 class A shareholders of record. We believe the number of beneficial owners is substantially greater than the number of record holders because a large portion of class A shares is held in "street name" by brokers.

Los Laureles Ltd.

Los Laureles Ltd. is our controlling shareholder and is beneficially owned by Mr. Woods Staton, our Executive Chairman. Los Laureles Ltd. currently owns 38.01% of the economic interests of Arcos Dorados and 75.40% of its voting interests. Los Laureles Ltd. has established a voting trust with respect to the voting interests in us held by Los Laureles Ltd. Los Laureles Ltd. is the beneficiary of the voting trust. The voting trust exercises the vote of the class B shares through a voting committee, which consists of only Mr. Woods Staton. The decision of the voting committee must be approved by Los Laureles (PTC) Limited, a British Virgin Islands company that is a wholly owned subsidiary of Los Laureles Limited. Mr. Woods Staton is the sole director of Los Laureles (PTC) Limited. Without the consent of McDonald's, Mr. Woods Staton may add any one or more of his descendants, certain other relatives, any board member of Arcos Dorados and the chief executive officer, chief operating officer or chief financial officer of Arcos Dorados to the committee.

Following Mr. Woods Staton's death or during Mr. Woods Staton's incapacity, the voting committee will consist of (1) certain officers or directors of Arcos Dorados, (2) certain descendants of Mr. Woods Staton or their representatives, and (3) other persons appointed by Los Laureles (PTC) Limited, subject to McDonald's consent if such person is not one of Mr. Woods Staton's descendants and is not the chief executive officer, chief operating officer or chief financial officer of Arcos Dorados. For the first five years from the date of the execution of the voting trust, the officers and directors of Arcos Dorados on the voting committee will have the tie-breaking vote (if any). Thereafter, Mr. Woods Staton's descendants will have the tie-breaking vote.

B. Related Party Transactions

Our Board of Directors has created and adopted a related party transactions policy for the purpose of assisting the Board of Directors in reviewing, approving and ratifying related party transactions. This Policy is intended to supplement, and not to supersede, our other policies that may be applicable to or involve transactions with related parties, such as our Standards of Business Conduct.

The Axionlog Split-off

In March 2011, we effected a split-off of Axionlog (formerly known as Axis) to our principal shareholders. The split-off was effected through the redemption of 41,882,966 shares (25,129,780 class A shares and 16,753,186 class B shares). As consideration for the redemption, the Company transferred to its principal shareholders its equity interests in the operating subsidiaries of the Axionlog business totaling a net book value of $15.4 million and an equity contribution that was made to the Axionlog holding company amounting to $29.8 million. Following the split-off, Los Laureles Ltd. acquired the Axionlog shares held by Gavea Investment AD, L.P. and investment funds controlled by Capital International, Inc. and DLJ South American Partners L.L.C. (through its affiliates). The split-off of Axionlog did not have a material effect on our results of operations or financial condition.

In 2011, we entered into a master commercial agreement with Axionlog on arm's-length terms pursuant to which Axionlog provides us with distribution inventory, storage (dry, frozen and chilled) and transportation services in Argentina, Chile, Colombia, Ecuador, Mexico, Venezuela, Uruguay and Peru. Pricing under the agreement is determined pursuant to an agreed upon formula that is considered standard in the distribution services industry. Additionally, Axionlog must comply with McDonald's quality program, the Distributor Quality Management System (DQMP) and other supplier requirements to maintain its status as a McDonald's-approved supplier pursuant to the MFA. The pricing formula considers certain variables to determine the applicable fees, including (i) cost inputs (i.e., transportation expenses and salaries); (ii) time required for completion; (iii) storage requirements; (iv) merchandise volume; and (v) inflation and exchange rate adjustments. We use similar pricing formulas with our other distribution service providers in the territories not covered by Axionlog. Under the terms of the agreement, the pricing formula is reviewed on a yearly basis. During these reviews, we share information in order to find potential cost efficiencies and savings. In addition, we or Axionlog may request a renegotiation of the pricing formula in the event that, due to factors outside of our or their control, the formula is substantially altered based on changes to its variable inputs.

During 2021, we incurred $40.2 million in total distribution fees payable to Axionlog, which accounted for approximately 12.4% of our total food and paper costs.

See Note 25 to our consolidated financial statements for details of the outstanding balances and transactions with related parties as of December 31, 2021 and 2020 and for the fiscal years ended December 31, 2021, 2020 and 2019.

Employment of Francisco Staton

Mr. Francisco Staton, Woods Staton's son, is Arcos Dorados' President of the SLAD Division and a member of our board of directors. For his services as President of the SLAD Division, Francisco Staton receives customary compensation and benefits commensurate with his level of responsibility within the Company. His compensation package is aligned with the compensation packages of similar positions in other companies in Colombia, according to external compensation surveys. Francisco Staton was appointed as a Board Member, Class I, at our Annual General (Shareholders) Meeting held on April 28, 2021.

Mexican Sub-Franchisee Joint Venture

In November 2021, a joint venture was formed with a Mexican sub-franchisee in which the Company is a minority stakeholder. We consider these restaurants to be franchised restaurants.

For purposes of this annual report, a joint venture is an entity that operates certain restaurants in the Company's territory in which the Company is a stakeholder together with a third party. This third party is always a sub-franchisee of the Company. Although the Company exercises significant influence over the entity's operating and financial policies, the third party is responsible for the day-to-day operation of the entity's restaurants. Restaurants operated by entities in which the Company has a majority stake are considered to be Company-operated; whereas, entities in which the Company holds a minority stake are considered to be franchised.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial statements

See "Item 18. Financial Statements," which contains our financial statements prepared in accordance with U.S. GAAP.

Legal Proceedings

Brazilian Labor Litigation

In August 2012, the Labor Prosecutor's Office of the State of Pernambuco (*Ministério Público do Trabalho do Estado de Pernambuco*) in Brazil filed a civil complaint against us in the Labor Court of Pernambuco (*Justiça do Trabalho de Pernambuco*) in order to (i) compel us to change the variable work schedule applicable to our 14 restaurants in Pernambuco, a state in northeastern Brazil, to a fixed work schedule, (ii) seek fines of R$3,000 per employee per month for alleged noncompliance with labor laws related to, for example, overtime payment, breaks between workdays, night shift premiums, duration of breaks and weekly rest time, (iii) seek a penalty of R$20,000 related to the non-exhibition of documentation relating to audit labor inspections and (iv) seek collective damages of R$30,000,000 related to the variable work schedule practices in Pernambuco in recent years. In February 2013, the Labor Prosecutor's Office of Pernambuco filed an additional petition seeking the extension of the original complaint throughout Brazil and increasing the amount of collective damages requested from R$30,000,000 to R$50,000,000. The Labor Prosecutor's Office of the State of Pernambuco also added a demand that all employees should be allowed to bring their own meals for consumption during breaks in our restaurants.

We settled all of the pending claims with the Labor Prosecutor's Office in March 2013, other than the claim to guarantee the payment of the minimum wage independently of working hours. In connection with the payment of the minimum wage, the Labor Court denied this plea.

In parallel with the judicial case, in December 2016, an administrative assessment of compliance with our 2013 settlement was initiated by a team composed of Labor Prosecutors. Additional audits of our compliance with the 2013 settlement were performed in relation to the period from March 2013 to March 2017, and we entered into a new settlement agreement in August 2018, which included paying a fine of R$7 million that was already paid. Subsequent to this, the Labor Prosecutor began a new investigation of our compliance with the 2018 settlement, in relation to the period of April 2017 to July 2018. The Labor Prosecutor concluded its investigation in 2019 and alleged that we were not in compliance with the 2018 settlement and owed an additional R$15.8 million in fines. We submitted a petition for review, including documentation defending our compliance with the settlement. In 2019, we entered into a new settlement with the Labor Prosecutor. As part of the settlement agreement, the additional fines previously imposed were waived and we agreed to use paper liners for one month on trays in our restaurants beginning in the second quarter of 2020 to further protect the health and safety of our employees. The Labor Prosecutors informed us in 2020 that they do not intend to start a new investigation of our compliance with the settlement at this time. Our agreement with the Labor Prosecutor's Office remains in effect and we must continue to comply with the requirements thereunder.

Sinthoresp – Brasília

On February 23, 2015, a coalition of labor unions filed a lawsuit against us, alleging that we have defaulted on our obligations to our employees with a variety of inadequate working conditions such as an unhealthy working environment, failure to pay the legal minimum wage or wages established through collective bargaining agreements, time-card fraud, failure to grant legally-mandated meal and rest periods and failure to pay corresponding overtime, among other claims.

The plaintiffs have requested an order requiring: (i) immediate rectification of the alleged practices; (ii) an injunction against opening any new restaurants until compliance with the labor practices is demonstrated; (iii) damages for pain and suffering equal to an amount between 1% and 30% of gross income; (iv) that the Economic Defense Administrative Council (*Conselho Administrativo de Defesa Econômica* or "CADE") be placed on notice of these conditions; and (v) service of process to the Labor Prosecutor to require it to follow up on the lawsuit.

The lawsuit is currently before the 22nd DF Labor Court in Brasilia. On March 27, 2017, the Labor Court entered a judgment rejecting all claims made by the coalition of labor unions and affirmed that the coalition was not able to prove its allegations. The coalition filed an appeal against it, and the Regional Labor Court determined to reopen the discovery phase for the parties to take depositions of witnesses, after which the 22nd DF Labor Court in Brasilia (first instance) will judge the claim again. We presented an appeal against this decision that was denied, and the discovery phase was reopened. A new discovery hearing was scheduled for May 4, 2020 but, due to the COVID-19 pandemic, the hearing was cancelled. The hearing occurred on August 2021, and on October 2021 we were notified of the decision that rejected all claims made by the coalition of labor unions. The labor prosecutor and labor union appealed the court's decision and we are waiting for the judgment by the Regional Labor Court.

Complaint 0528900-98.2006.5.02.0080

On December 13, 2006, a civil complaint was filed by the Labor Prosecutor's Office in São Paulo, questioning our compliance with rules related to sanitary surveillance, workers' health and safety, work ergonomics and working hours. After a preliminary injunction was granted for compliance with issues related to relevant rules cited in the complaint, an agreement (the "TAC") was entered into between the Company and the Labor Prosecutor's Office that provides for a daily fine of R$5,000 for non-compliance with the TAC provisions. The full contents of the TAC were ratified by the Labor Court on March 16, 2007.

On October 18, 2010, we entered into a new agreement with the Labor Prosecutor's Office in São Paulo, which maintained the previous commitments assumed by us in the TAC, but also included an obligation to annually pay R$1,300,000 (as adjusted on a yearly basis from 2011 to 2019) towards the financing of campaigns against child labor and to make a one-time contribution in the amount of R$1,500,000 to the São Paulo's Medical University's Foundation. Furthermore, according to the agreement, the company was required to file a schedule for the compliance with the obligations set forth in the TAC. The company has been in compliance with this agreement, and the final payment of the annual R$1,300,000 obligatory contribution to help finance campaigns against child labor was made in 2019. While we have paid all fines due under the agreement, our agreement with the Labor Prosecutor's Office remains in effect and we must continue to comply with the other requirements thereunder.

In parallel with the judicial lawsuit's developments, the Labor Prosecutor's Office initiated an administrative audit regarding the company's compliance with the TAC. On November 2016, the Labor Prosecutor's Office claimed that it had identified violations of the TAC and demanded R$13 million in connection with such violations. On April 3, 2017, we submitted a petition and documents as evidence that we have complied with the settlement, rejecting the Labor Prosecutor's claims. We attended a series of hearings with the Labor Prosecutor's Office to discuss TAC compliance, Arcos' petition, and the possibility of entering into a new settlement in order to reduce the previous commitments and the fines assumed by us. A new hearing is expected to be scheduled soon.

Administrative Investigation under Labor Prosecutor's Office

The Labor Prosecutor's Office in Curitiba initiated an administrative procedure to investigate Arcos Dourados in May 2019, based on a complaint made by the General Union of Workers ("UGT") that alleged systematic workplace harassment, moral and sexual harassment and racial discrimination. On July 2020, another administrative procedure was initiated by the Labor Prosecutor's Office in São Paulo, based on a compliant made by UGT, the Central Workers Union (CUT) and other workers unions that also alleged systematic workplace harassment. The procedures have now been joined under the second administrative procedure. In response to the allegations, Arcos Dourados has presented evidence of its good practices related to the subject, which it believes disproves the allegations of systematic discrimination, moral and sexual harassment. The first hearing was held on January 25, 2021 and a second hearing was held on March 8, 2022. At the second hearing, parties discussed the possibility of settlement with an agreement to improve internal procedures and training to avoid sexual harassment, moral and racial discrimination in the restaurants, without any payment of damages. UGT is expected to present additional comments regarding the proposed settlement, after which Arcos will also have the opportunity to provide its own comments. We expect that additional hearings will be scheduled in 2022. Isolated cases alleging discrimination and/or moral and sexual harassment are also being discussed within minor administrative investigations and individual labor claims filed in Brazil.

Retained Lawsuits and Contingent Liabilities

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. As of December 31, 2021 we maintained a provision for contingencies amounting to $40.7 million ($35.1 million as of December 31, 2020) and judicial deposits amounting to $6.6 million ($8.1 million as of December 31, 2020) that we were required to make in connection with the proceedings. As of December 31, 2021, the net amount of $34.1 million included $31.9 million as a non-current liability. See Note 18 to our consolidated financial statements for more details.

Pursuant to the Acquisition, McDonald's Corporation indemnifies us for certain Brazilian claims. As of December 31, 2021, the provision for contingencies included $1.2 million ($1.3 million as of December 31, 2020) related to a Brazilian claim that is covered by the indemnification agreement. As a result, we have recorded a non-current asset in respect of McDonald's Corporation's indemnity within "Miscellaneous" in our consolidated balance sheet.

Several of these proceedings have already been resolved successfully, either by a judicial decision or a cash settlement. The cash settlements were made pursuant to the reopening of a 2009 amnesty granted by the Brazilian federal government, in which McDonald's opted to participate. The amnesty was originally granted in 2009 as a way to reduce litigation with federal authorities and increase tax collection during the financial crisis. The amnesty allowed Brazilian taxpayers to settle federal tax debts under favorable conditions, including reduced penalties and interest and the ability to pay principal in up to 180 installments. In 2014, pursuant to an additional amnesty, such outstanding Brazilian federal tax debts were paid in full using mainly applicable tax loss carryforwards. The remaining retained proceedings are pending a final decision.

As of December 31, 2021, there are certain matters related to the interpretation of tax, labor and civil law for which there is a possibility that a loss may have been incurred in accordance with ASC 450-20-50-4 within a range of $240 million and $271 million.

Brazilian Federal Customs Authorities Infraction Notices

In August 2021, Arcos Dourados Comércio de Alimentos S.A. (our Brazilian "Subsidiary") became aware of two notices of infraction presented by Brazilian federal customs authorities (Alfândega da Receita Federal) alleging improprieties by a supplier of our Subsidiary, related to the importation of certain products in 2019. The notices of infraction, which named our Subsidiary as jointly liable, included a R$2.6 million fine as of August 2021. We believe these charges are improper and, together with our supplier, we have submitted the appropriate administrative defense of our position. This matter is ongoing and in a preliminary administrative phase and, as of the date of this annual report, a ruling by the administrative authorities is pending. We will defend ourselves vigorously in this and any related proceedings.

Other Proceedings

In addition to the matters described above, we are from time to time subject to certain claims and party to certain legal proceedings incidental to the normal course of our business. In view of the inherent difficulty of predicting the outcome of legal matters, we cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. We believe that we have made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believe that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on our business, financial condition, or results of operations. However, in light of the uncertainties involved in these claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us; as a result, the outcome of a particular matter may be material to our operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of our income for that period.

Dividends and Dividend Policy

Our Board of Directors considers the legal requirements with regard to our net income and retained earnings and our cash flow generation, targeted leverage ratios and debt covenant requirements in determining the amount of dividends to be paid, if any. Dividends may only be paid in accordance with the provisions of our memorandum and articles of association and Section 57 of the BVI Business Companies Act (As Revised) and after having fulfilled our capital expenditures program and after satisfying our indebtedness and liquidity thresholds, in that order. Pursuant to our memorandum and articles of association, all dividends unclaimed for three years after having been declared may be forfeited by a resolution of directors for the benefit of the Company.

Since the Acquisition, we declared the following dividends (all dividends shown in the aggregate for all outstanding shares, other than per share figures) and authorized the following distributions of shares to shareholders:

- a $0.15 per share dividend to all class A and B shareholders of the Company to be paid in four quarterly installments: $0.04 per share on March 31, 2022, $0.04 per share on June 30, 2022, $0.04 per share on September 30, 2022 and $0.03 per share on December 30, 2022;
- a distribution of class A shares held by the Company as treasury shares to class A and class B shareholders distributed on July 23, 2021 of one (1) share for every seventy (70) shares held by its shareholders of record at the close of business on July 14, 2021;
- a distribution of class A shares held by the Company as treasury shares to class A and class B shareholders distributed on August 12, 2020 of one (1) share for every seventy-five (75) shares held by its shareholders of record at the close of business on August 3, 2020;
- a $10.2 million dividend paid on April 10, 2020;
- a $10.2 million dividend and two $6.1 million dividends in 2019;
- a $10.6 million and a $10.4 million dividend in 2018;
- four $12.5 million dividends in 2014;
- four $12.5 million dividends in 2013;
- four $12.5 million dividends in 2012;
- four $12.5 million dividends in 2011; and
- a $40 million dividend with respect to our results of operations for fiscal year 2009.

The amounts and dates of future dividend payments, if any, will be subject to, among other things, the discretion of our Board of Directors. Accordingly, there can be no assurance that any future distributions will be made, or, if made, as to the amount of such distributions.

B. Significant Changes

Except as otherwise disclosed in this annual report, we are not aware of any significant changes that have occurred since December 31, 2021.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

See "—C. Markets."

B. Plan of Distribution

Not applicable.

C. Markets

Our class A shares have been listed on the NYSE, since April 14, 2011 under the symbol "ARCO."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

General

We are a British Virgin Islands company incorporated with limited liability and our affairs are governed by the provisions of our memorandum and articles of association, as amended and restated from time to time, and by the provisions of applicable British Virgin Islands law, including the BVI Business Companies Act (As Revised) or the "BVI Act."

Our company number in the British Virgin Islands is 1619553. As provided in sub-regulation 4.1 of our memorandum of association, subject to British Virgin Islands law, we have full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and, for such purposes, full rights, powers and privileges. Our registered office is at Maples Corporate Services (BVI) Limited, Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands.

The transfer agent and registrar for our class A and class B shares is Continental Stock Transfer & Trust Company, which maintains the share registrar for each class in New York, New York.

As of the date of this annual report, under our memorandum and articles of association, we are authorized to issue up to 420,000,000 class A shares and 80,000,000 class B shares. As of the date of this annual report, 130,478,322 class A shares and 80,000,000 class B shares are issued, fully paid and outstanding. In addition, 2,309,062 class A shares are issued and being held in treasury.

The maximum number of shares that we are authorized to issue may be changed by resolution of shareholders amending our memorandum and articles of association. Shares may be issued from time to time only by resolution of shareholders.

Our class A shares are listed on the NYSE under the symbol "ARCO."

The following is a summary of the material provisions of our memorandum and articles of association.

Class A Shares

Holders of our class A shares may freely hold and vote their shares.

The following summarizes the rights of holders of our class A shares:

- each holder of class A shares is entitled to one vote per share on all matters to be voted on by shareholders generally, including the election of directors;
- holders of class A shares vote together with holders of class B shares;
- there are no cumulative voting rights;
- the holders of our class A shares are entitled to dividends and other distributions, *pari passu* with our class B shares, as may be declared from time to time by our board of directors out of funds legally available for that purpose, if any, and pursuant to our memorandum and articles of association, all dividends unclaimed for three years after having been declared may be forfeited by a resolution of directors for the benefit of the Company;
- upon our liquidation, dissolution or winding up, the holders of class A shares will be entitled to share ratably, *pari passu* with our class B shares, in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities; and

- the holders of class A shares have preemptive rights in connection with the issuance of any securities by us, except for certain issuances of securities by us, including (i) pursuant to any employee compensation plans; (ii) as consideration for (a) any merger, consolidation or purchase of assets or (b) recapitalization or reorganization; (iii) in connection with a pro rata division of shares or dividend in specie or distribution; or (iv) in a bona fide public offering that has been registered with the SEC, but they are not entitled to the benefits of any redemption or sinking fund provisions.

Class B Shares

All of our class B shares are owned by Los Laureles Ltd. Holders of our class B shares may freely hold and vote their shares.

The following summarizes the rights of holders of our class B shares:

- each holder of class B shares is entitled to five votes per share on all matters to be voted on by shareholders generally, including the election of directors;
- holders of class B shares vote together with holders of class A shares;
- class B shares may not be listed on any U.S. or foreign national or regional securities exchange or market;
- there are no cumulative voting rights;
- the holders of our class B shares are entitled to dividends and other distributions, *pari passu* with our class A shares, as may be declared from time to time by our board of directors out of funds legally available for that purpose, if any, and pursuant to our memorandum and articles of association, all dividends unclaimed for three years after having been declared may be forfeited by a resolution of directors for the benefit of the Company;
- upon our liquidation, dissolution or winding up, the holders of class B shares will be entitled to share ratably, *pari passu* with our class A shares, in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities;
- the holders of class B shares have preemptive rights in connection with the issuance of any securities by us, except for certain issuances of securities by us, including (i) pursuant to any employee compensation plans; (ii) as consideration for (a) any merger, consolidation or purchase of assets or (b) recapitalization or reorganization; (iii) in connection with a pro rata division of shares or dividend in specie or distribution; or (iv) in a bona fide public offering that has been registered with the SEC, but they are not entitled to the benefits of any redemption or sinking fund provisions;
- each class B share is convertible into one class A share at the option of the holder at any time, subject to the prior written approval of McDonald's; and
- each class B share will convert automatically into one class A share at such time as the holders of class B shares cease to hold, directly or indirectly, at least 20% of the aggregate number of outstanding class A and class B shares.

Limitation on Liability and Indemnification Matters

Under British Virgin Islands law, each of our directors and officers, in performing his or her functions, is required to act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent director would exercise in comparable circumstances. Our memorandum and articles of association provide that, to the fullest extent permitted by British Virgin Islands law or any other applicable laws, our directors will not be personally liable to us or our shareholders for any acts or omissions in the performance of their duties. This limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission. These provisions will not limit the liability of directors under United States federal securities laws.

Our memorandum and articles of association provide that we shall indemnify any of our directors or anyone serving at our request as a director of another entity against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings or suits. We may pay any expenses, including legal fees, incurred by any such person in defending any legal, administrative or investigative proceedings in advance of the final disposition of the proceedings. If a person to be indemnified has been

successful in defense of any proceedings referred to above, the director is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the director or officer in connection with the proceedings.

We may purchase and maintain insurance in relation to any of our directors, officers, employees, agents or liquidators against any liability asserted against them and incurred by them in that capacity, whether or not we have or would have had the power to indemnify them against the liability as provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the "Securities Act," may be permitted to our directors, officers or controlling persons pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable as a matter of United States law.

Shareholders' Meetings and Consents

The following summarizes certain relevant provisions of British Virgin Islands law and our articles of association in relation to our shareholders' meetings:

- the directors of the Company may convene meetings of shareholders at such times and in such manner and places within or outside the British Virgin Islands as the directors consider necessary or desirable; provided that at least one meeting of shareholders be held each year;
- upon the written request of shareholders entitled to exercise 30 percent or more of the voting rights in respect of the matter for which the meeting is requested, the directors are required to convene a meeting of the shareholders. Any such request must state the proposed purpose of the meeting;
- the directors convening a meeting must give not less than ten days' notice of a meeting of shareholders to: (i) those shareholders whose names on the date the notice is given appear as shareholders in the register of members of our company and are entitled to vote at the meeting, and (ii) the other directors;
- a meeting of shareholders held in contravention of the requirement to give notice is valid if shareholders holding at least 90 percent of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a shareholder at the meeting shall constitute waiver in relation to all the shares that such shareholder holds;
- a shareholder may be represented at a meeting of shareholders by a proxy who may speak and vote on behalf of the shareholder;
- a meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50 percent of the votes of the shares or class or series of shares entitled to vote on resolutions of shareholders to be considered at the meeting;
- if within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall be adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other date, time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the shares or each class or series of shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum, but otherwise the meeting shall be dissolved. Notice of the adjourned meeting need not be given if the date, time and place of such meeting are announced at the meeting at which the adjournment is taken;
- a resolution of shareholders is valid (i) if approved at a duly convened and constituted meeting of shareholders by the affirmative vote of a majority of the votes of the shares entitled to vote thereon which were present at the meeting and were voted, or (ii) if it is a resolution consented to in writing by a majority of the votes of shares entitled to vote thereon; and
- an action that may be taken by the shareholders at a meeting may also be taken by a resolution of shareholders consented to in writing by a majority of the votes of shares entitled to vote thereon, without the need for any notice, but if any resolution of shareholders is adopted otherwise than by unanimous written consent of all shareholders, a copy of such resolution shall forthwith be sent to all shareholders not consenting to such resolution.

Compensation of Directors

The compensation of our directors is determined by our Board of Directors, and there is no requirement that a specified number or percentage of "independent" directors must approve any such determination.

Differences in Corporate Law

We were incorporated under, and are governed by, the laws of the British Virgin Islands. The corporate statutes of the State of Delaware and the British Virgin Islands in many respects are similar, and the flexibility available under British Virgin Islands law has enabled us to adopt a memorandum of association and articles of association that will provide shareholders with rights that, except as described in this annual report, do not vary in any material respect from those they would enjoy if we were incorporated under the Delaware General Corporation Law, or Delaware corporate law. Set forth below is a summary of some of the differences between provisions of the BVI Act applicable to us and the laws applicable to companies incorporated in Delaware and their shareholders.

Director's Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

British Virgin Islands law provides that every director of a British Virgin Islands company, in exercising his powers or performing his duties, shall act honestly and in good faith and in what the director believes to be in the best interests of the company. Additionally, the director shall exercise the care, diligence, and skill that a reasonable director would exercise in the same circumstances, taking into account the nature of the company, the nature of the decision and the position of the director and his responsibilities. In addition, British Virgin Islands law provides that a director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes British Virgin Islands law or the memorandum association or articles of association of the company.

Amendment of Governing Documents

Under Delaware corporate law, with very limited exceptions, a vote of the shareholders is required to amend the certificate of incorporation. In addition, Delaware corporate law provides that shareholders have the right to amend the bylaws, and the certificate of incorporation also may confer on the directors the right to amend the bylaws. Our memorandum of association may only be amended by a resolution of shareholders, provided that any amendment of the provision related to the prohibition against listing our class B shares must be approved by not less than 50% of the votes of the class A shares entitled to vote that were present at the relevant meeting and voted. Our articles of association may also only be amended by a resolution of shareholders.

Written Consent of Directors

Under Delaware corporate law, directors may act by written consent only on the basis of a unanimous vote. Similarly, under our articles of association, a resolution of our directors in writing shall be valid only if consented to by all directors or by all members of a committee of directors, as the case may be.

Written Consent of Shareholders

Under Delaware corporate law, unless otherwise provided in the certificate of incorporation, any action to be taken at any annual or special meeting of shareholders of a corporation may be taken by written consent of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to take that action at a meeting at which all

shareholders entitled to vote were present and voted. As permitted by British Virgin Islands law, shareholders' consents need only a majority of shareholders signing to take effect. Our memorandum and articles of association provide that shareholders may approve corporate matters by way of a resolution consented to at a meeting of shareholders or in writing by a majority of shareholders entitled to vote thereon.

Shareholder Proposals

Under Delaware corporate law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings. British Virgin Islands law and our memorandum and articles of association provide that our directors shall call a meeting of the shareholders if requested in writing to do so by shareholders entitled to exercise at least 30% of the voting rights in respect of the matter for which the meeting is requested. Any such request must state the proposed purpose of the meeting.

Sale of Assets

Under Delaware corporate law, a vote of the shareholders is required to approve the sale of assets only when all or substantially all assets are being sold. In the British Virgin Islands, shareholder approval is required when more than 50% of the Company's total assets by value are being disposed of or sold if not made in the usual or regular course of the business carried out by the company. Under our memorandum and articles of association, the directors may by resolution of directors determine that any sale, transfer, lease, exchange or other disposition is in the usual or regular course of the business carried on by us and such determination is, in the absence of fraud, conclusive.

Dissolution; Winding Up

Under Delaware corporate law, unless the board of directors approves the proposal to dissolve, dissolution must be approved in writing by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware corporate law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. As permitted by British Virgin Islands law and our memorandum and articles of association, we may be voluntarily liquidated under Part XII of the BVI Act by resolution of directors and resolution of shareholders if we have no liabilities or we are able to pay our debts as they fall due.

Redemption of Shares

Under Delaware corporate law, any stock may be made subject to redemption by the corporation at its option, at the option of the holders of that stock or upon the happening of a specified event, provided shares with full voting power remain outstanding. The stock may be made redeemable for cash, property or rights, as specified in the certificate of incorporation or in the resolution of the board of directors providing for the issue of the stock. As permitted by British Virgin Islands law and our memorandum and articles of association, shares may be repurchased, redeemed or otherwise acquired by us. However, the consent of the shareholder whose shares are to be repurchased, redeemed or otherwise acquired must be obtained, except as described under "—Compulsory Acquisition" below. Moreover, our directors must determine that immediately following the redemption or repurchase we will be able to pay our debts as they become due and that the value of our assets will exceed our liabilities.

Compulsory Acquisition

Under Delaware General Corporation Law § 253, in a process known as a "short form" merger, a corporation that owns at least 90% of the outstanding shares of each class of stock of another corporation may either merge the other corporation into itself and assume all of its obligations or merge itself into the other corporation by executing, acknowledging and filing with the Delaware Secretary of State a certificate of such ownership and merger setting forth a copy of the resolution of its board of directors authorizing such merger. If the parent corporation is a Delaware corporation that is not the surviving corporation, the merger also must be approved by a majority of the outstanding stock of the parent corporation. If the parent corporation does not own all of the stock of the subsidiary corporation immediately prior to the merger, the minority shareholders of the subsidiary corporation party to the merger may have appraisal rights as set forth in § 262 of the Delaware General Corporation Law.

Under the BVI Act, subject to any limitations in a Company's memorandum or articles, members holding 90% of the votes of the outstanding shares entitled to vote, and members holding 90% of the votes of the outstanding shares of each class of shares entitled to vote, may give a written instruction to the company directing the company to redeem the shares held by the remaining members. Upon receipt of such written instruction, the company shall redeem the shares specified in the written instruction, irrespective of whether or not the shares are by their terms redeemable. The company shall give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected. A member whose shares are to be so redeemed is entitled to dissent from such redemption, and to be paid the fair value of his shares, as described under "—Shareholders' Rights under British Virgin Islands Law Generally" below.

Variation of Rights of Shares

Under Delaware corporate law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of that class, unless the certificate of incorporation provides otherwise. As permitted by British Virgin Islands law and our memorandum of association, we may vary the rights attached to any class of shares only with the consent in writing of holders of not less than 50% of the issued shares of that class and of holders of not less than 50% of the issued shares of any other class which may be adversely affected by such variation.

Removal of Directors

Under Delaware corporate law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Our memorandum and articles of association provide that directors may be removed at any time, with or without cause, by a resolution of shareholders or a resolution of directors.

In addition, directors are subject to rotational retirement every three years. The initial terms of office of the Class I, Class II and Class III directors have been staggered over a period of three years to ensure that all directors of the company do not face reelection in the same year.

Mergers

Under Delaware corporate law, one or more constituent corporations may merge into and become part of another constituent corporation in a process known as a merger. A Delaware corporation may merge with a foreign corporation as long as the law of the foreign jurisdiction permits such a merger. To effect a merger under Delaware General Corporation Law § 251, an agreement of merger must be properly adopted and the agreement of merger or a certificate of merger must be filed with the Delaware Secretary of State. In order to be properly adopted, the agreement of merger must be adopted by the board of directors of each constituent corporation by a resolution or unanimous written consent. In addition, the agreement of merger generally must be approved at a meeting of stockholders of each constituent corporation by a majority of the outstanding stock of the corporation entitled to vote, unless the certificate of incorporation provides for a supermajority vote. In general, the surviving corporation assumes all of the assets and liabilities of the disappearing corporation or corporations as a result of the merger.

Under the BVI Act, two or more BVI companies may merge or consolidate in accordance with the statutory provisions. A merger means the merging of two or more constituent companies into one of the constituent companies, and a consolidation means the uniting of two or more constituent companies into a new company. In order to merge or consolidate, the directors of each constituent BVI company must approve a written plan of merger or consolidation which must be authorized by a resolution of shareholders. One or more BVI companies may also merge or consolidate with one or more companies incorporated under the laws of jurisdictions outside the BVI, if the merger or consolidation is permitted by the laws of the jurisdictions in which the companies incorporated outside the BVI are incorporated. In respect of such a merger or consolidation a BVI company is required to comply with the provisions of the BVI Act, and a company incorporated outside the BVI is required to comply with the laws of its jurisdiction of incorporation.

Shareholders of BVI companies not otherwise entitled to vote on the merger or consolidation may still acquire the right to vote if the plan of merger or consolidation contains any provision which, if proposed as an amendment to the memorandum of association or articles of association, would entitle them to vote as a class or series on the proposed amendment. In any event, all shareholders must be given a copy of the plan of merger or consolidation irrespective of whether they are entitled to vote at the meeting or consent to the written resolution to approve the plan of merger or consolidation.

Inspection of Books and Records

Under Delaware corporate law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records. Under British Virgin Islands law, members of the general public, on payment of a nominal fee, can obtain copies of the public records of a company available at the office of the British Virgin Islands Registrar of Corporate Affairs which will include the company's certificate of incorporation, its memorandum and articles of association (with any amendments) and records of license fees paid to date, and will also disclose any articles of dissolution, articles of merger and a register of registered charges if such a register has been filed in respect of the company.

A member of a company is entitled, on giving written notice to the company, to inspect:

(a) the memorandum and articles;

(b) the register of members;

(c) the register of directors; and

(d) the minutes of meetings and resolutions of members and of those classes of members of which he is a member; and to make copies of or take extracts from the documents and records referred to in (a) to (d) above. Subject to the memorandum and articles, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document, or part of a document, specified in (b), (c) or (d) above, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

A company is required to keep at the office of its registered agent the memorandum and articles of the company; the register of members maintained or a copy of the register of members; the register of directors or a copy of the register of directors; and copies of all notices and other documents filed by the company in the previous ten years.

Where a company keeps a copy of the register of members or the register of directors at the office of its registered agent, it is required to notify any changes to the originals of such registers to the registered agent, in writing, within 15 days of any change; and to provide the registered agent with a written record of the physical address of the place or places at which the original register of members or the original register of directors is kept. Where the place at which the original register of members or the original register of directors is changed, the company is required to provide the registered agent with the physical address of the new location of the records within fourteen days of the change of location.

A company is also required to keep at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors determine, the minutes of meetings and resolutions of members and of classes of members; and the minutes of meetings and resolutions of directors and committees of directors. If such records are kept at a place other than at the office of the company's registered agent, the company is required to provide the registered agent with a written record of the physical address of the place or places at which the records are kept and to notify the registered agent, within 14 days, of the physical address of any new location where such records may be kept.

A company is further required to:

(a) keep at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors may determine, the records and underlying documentation of the company;

(b) retain the records and underlying documentation for a period of at least five years from the date: (i) of completion of the transaction to which the records and underlying documentation relate; or (ii) the company terminates the business relationship to which the records and underlying documentation relate; and

(c) provide its registered agent without delay any records and underlying documentation in respect of the company that the registered agent requests pursuant to the entitlement of the company's registered agent to make such a request where the registered agent is required to do so by the British Virgin Islands Financial Services Commission or any

other competent authority in the British Virgin Islands acting pursuant to the exercise of a power under an enactment.

The records and underlying documentation of the company are required to be in such form as:

(a) are sufficient to show and explain the company's transactions; and

(b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

Where the records and underlying documentation of a company are kept at a place or places other than at the office of the company's registered agent, the company is required to provide the registered agent with a written:

(a) record of the physical address of the place at which the records and underlying documentation are kept; and

(b) record of the name of the person who maintains and controls the company's records and underlying documentation.

Where the place or places at which the records and underlying documentation of the company, or the name of the person who maintains and controls the company's records and underlying documentation, change, the company must within 14 days of the change, provide:

(a) its registered agent with the physical address of the new location of the records and underlying documentation; or

(b) the name of the new person who maintains and controls the company's records and underlying documentation.

For the foregoing purposes:

(a) "business relationship" means a continuing arrangement between a company and one or more persons with whom the company engages in business, whether on a one-off, regular or habitual basis; and

(b) "records and underlying documentation" includes accounts and records (such as invoices, contracts and similar documents) in relation to: (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Conflict of Interest

Under Delaware corporate law, a contract between a corporation and a director or officer, or between a corporation and any other organization in which a director or officer has a financial interest, is not void as long as the material facts as to the director's or officer's relationship or interest are disclosed or known and either a majority of the disinterested directors authorizes the contract in good faith or the shareholders vote in good faith to approve the contract. Nor will any such contract be void if it is fair to the corporation when it is authorized, approved or ratified by the board of directors, a committee or the shareholders.

The BVI Act provides that a director shall, forthwith after becoming aware that he is interested in a transaction entered into or to be entered into by the company, disclose that interest to the board of directors of the company. The failure of a director to disclose that interest does not affect the validity of a transaction entered into by the director or the company, so long as the director's interest was disclosed to the board prior to the Company's entry into the transaction or was not required to be disclosed because the transaction is between the company and the director himself and is otherwise in the ordinary course of business and on usual terms and conditions. As permitted by British Virgin Islands law and our memorandum and articles of association, a director interested in a particular transaction may vote on it, attend meetings at which it is considered and sign documents on our behalf which relate to the transaction, provided that the disinterested directors consent.

Transactions with Interested Shareholders

Delaware corporate law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by that statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that the person becomes an interested shareholder. An interested shareholder generally is a person or group that owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be

treated equally. The statute does not apply if, among other things, prior to the date on which the shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

British Virgin Islands law has no comparable provision. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although British Virgin Islands law does not regulate transactions between a company and its significant shareholders, it does provide that these transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Independent Directors

There are no provisions under Delaware corporate law or under the BVI Act that require a majority of our directors to be independent.

Cumulative Voting

Under Delaware corporate law, cumulative voting for elections of directors is not permitted unless the Company's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions to cumulative voting under the laws of the British Virgin Islands, but our memorandum of association and articles of association do not provide for cumulative voting.

Shareholders' Rights under British Virgin Islands Law Generally

The BVI Act provides for remedies which may be available to shareholders. Where a company incorporated under the BVI Act or any of its directors engages in, or proposes to engage in, conduct that contravenes the BVI Act or the Company's memorandum and articles of association, the BVI courts can issue a restraining or compliance order. Shareholders cannot also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for members' remedies has also been incorporated into the BVI Act: where a shareholder of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminatory or unfairly prejudicial to him, he may apply to the court for an order based on such conduct.

Any shareholder of a company may apply to court for the appointment of a liquidator of the company and the court may appoint a liquidator of the company if it is of the opinion that it is just and equitable to do so.

The BVI Act provides that any shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following: (a) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares; (b) a consolidation, if the company is a constituent company; (c) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the shareholders in accordance with their respective interest within one year after the date of disposition, or (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof; (d) a redemption of 10% or fewer of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Act; and (e) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the British Virgin Islands or their individual rights as shareholders as established by the Company's memorandum and articles of association.

C. Material Contracts

The MFAs

We received exclusive master franchising rights from McDonald's for the Territories on August 3, 2007 when Mr. Woods Staton, our Executive Chairman and controlling shareholder and our founding private equity shareholders purchased McDonald's LatAm business for $698.1 million (including $18.7 million of acquisition costs) and entered into the MFAs. Prior to the Acquisition, Mr. Woods Staton had been the joint venture partner of McDonald's Corporation in Argentina for over 20 years and had served as President of McDonald's South Latin American division since 2004.

McDonald's has a long-standing presence in Latin America and the Caribbean dating to the opening of its first restaurant in Puerto Rico in 1967. Since then, McDonald's expanded its footprint across the region as consumer markets and opportunities arose, opening its first restaurants in Brazil in 1979, in Mexico and Venezuela in 1985 and in Argentina in 1986.

We hold our McDonald's franchise rights pursuant to the MFA for all of the Territories except Brazil, executed on August 3, 2007, as amended and restated on November 10, 2008 and as further amended on August 31, 2010, June 3, 2011 and March 17, 2016, entered into by us, LatAm, LLC (the "Master Franchisee"), our former wholly owned subsidiary Arcos Dorados Coöperatieve U.A., Arcos Dorados B.V., certain subsidiaries of the Master Franchisee, Los Laureles, Ltd. and McDonald's. On March 21, 2018, Arcos Dorados Group B.V. (together with Arcos Dorados B.V. and us, the "Owner Entities") replaced Arcos Dorados Coöperatieve U.A. as party to the MFA. On August 3, 2007, our subsidiary Arcos Dourados Comercio de Alimentos S.A., or the Brazilian Master Franchisee, and McDonald's entered into the separate, but substantially identical, Brazilian MFA, which was amended and restated on November 10, 2008.

The MFAs set forth McDonald's and our rights and obligations in respect of the ownership and operation of the McDonald's-branded restaurants located in the Territories. The MFAs do not include the following Latin American and Caribbean countries and territories, among others: Anguilla, Antigua and Barbuda, the Bahamas, Barbados, Belize, Bolivia, the British Virgin Islands, the Cayman Islands, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guiana, Haiti, Honduras, Jamaica, Montserrat, Nicaragua, Paraguay, Suriname, St. Barthélemy, St. Kitts and Nevis, St. Lucia, St. Maarten, St. Vincent and the Grenadines, Turks & Caicos Islands and the U.S. Virgin Islands, with the exception of St. Croix and St. Thomas.

The material provisions of the MFAs are set forth below.

Term

The initial term of the franchise granted pursuant to the MFAs is 20 years for all of the Territories other than French Guiana, Guadeloupe and Martinique. After the expiration of the initial term, McDonald's may grant us an option to extend the term of the MFAs with respect to all Territories for an additional period of 10 years. The initial term of the franchise for French Guiana, Guadeloupe and Martinique was 10 years. Under the MFA, we had the right to extend the term of the MFA with respect to French Guiana, Guadeloupe and Martinique for an additional term of 10 years. On June 27, 2016, we exercised this right and McDonald's granted us an extension of the initial term for the franchises in French Guiana, Guadeloupe and Martinique for a period of 10 years, expiring August 2, 2027.

Our Right to Own and Operate McDonald's-Branded Restaurants

Under the MFAs, in the Territories, we have the exclusive right to (i) own and operate, directly or indirectly, McDonald's restaurants, (ii) license and grant franchises with respect to McDonald's-branded restaurants, (iii) adopt and use, and to grant the right and license to franchisees to adopt and use, the McDonald's operations system in our restaurants, (iv) advertise to the public that we are a franchisee of McDonald's, and (v) to use, and to sublicense to our sub-franchisees the right to use the McDonald's intellectual property solely in connection with the development, ownership, operation, promotion and management of our restaurants, and to engage in related advertising, promotion and marketing programs and activities.

Under the MFAs, McDonald's cannot grant the rights described in clauses (i), (ii) and (iii) of the preceding paragraph to any other person while the MFAs are in effect. Notwithstanding the foregoing, McDonald's has reserved, with respect to the McDonald's restaurants located in the Territories, all rights not specifically granted to us, including the right, directly or indirectly, to (i) use and sublicense the McDonald's intellectual property for all other purposes and means of distribution, (ii) sell, promote or license the sale of products or services under the intellectual property and (iii) use the intellectual property in connection with all other activities not prohibited by the MFAs.

In addition, under the MFAs, McDonald's provides us with know-how and new developments, techniques and improvements in the areas of restaurant management, food preparation and service, and operations manuals that contain the standards and procedures necessary for the successful operation of McDonald's-branded restaurants.

Franchise Fees

Under the MFAs, we are responsible for the payment to McDonald's of initial franchise fees, continuing franchise fees and transfer fees.

The initial franchise fee is payable upon the opening of a new restaurant and the extension of the term of any existing franchise agreement. For Company-operated restaurants, the initial fee is based on the term remaining under the MFAs for the country in which the restaurant is located. For franchised restaurants, we receive an initial fee from the sub-franchisee based on the term of the franchise agreement (generally 20 years), and pay 50% of this fee to McDonald's.

The continuing franchise fee is paid, with respect to each calendar month, to McDonald's in an amount generally equal to 7% of the U.S. dollar equivalent of the gross sales, as defined therein, of each of the McDonald's restaurants in the Territories for that calendar month, minus, as applicable, a brand building adjustment. During the first 10 years of the MFAs, the brand building adjustment is 2% of the gross sales, for a net continuing franchise fee payment of 5% of the gross sales. During years 11 through 15 of the MFAs, the brand building adjustment will be 1% of the gross sales, for a net continuing franchise fee payment of 6%; and the brand building adjustment will be 0% thereafter, for a net continuing franchise fee payment of 7% of the gross sales. In addition, on January 25, 2017, McDonald's Corporation agreed to provide growth support for the years 2017, 2018 and 2019. The impact of this support resulted in an effective royalty rate of 5.2% in 2017, 5.4% in 2018 and 5.5% in 2019. McDonald's Corporation had previously agreed to provide growth support for the years 2020, 2021 and 2022. However, due to the business disruptions caused by the COVID-19 pandemic, in 2021, we agreed with McDonald's to withdraw the previously-approved 2020-2022 growth and investment plan and, on December 18, 2020, we reached an agreement with McDonald's on a growth and investment plan for 2021 only. In January 2022, we reached an agreement with McDonald's on a new growth and investment plan. To support our future growth, we plan to open at least 200 new restaurants and to modernize at least 400 restaurants, with capital expenditures of approximately $650 million from 2022 to 2024. In addition, McDonald's Corporation agreed to continue providing growth support subject to our compliance with the terms of the growth and investment plan subject to our compliance with the terms of the growth and investment plan, which is expected to result in an effective royalty rate of about 5.6% of sales in 2022 and 6.0% of sales in 2023 and 2024.

We are responsible for collecting the continuing franchise fee from our sub-franchisees and must pay that amount to McDonald's. In the event that a sub-franchisee does not pay the full amount of the fee or any of our subsidiaries are unable to transfer funds to us due to currency restrictions or otherwise, we are responsible for any resulting shortfall. Due to the COVID-19 pandemic, McDonald's agreed to defer all franchise fee payments due, both for company-operated and sub-franchisee-operated restaurants, for March, April, May, June and July 2020 sales until the first half of 2021. We paid all deferred royalties due by early May 2021 and there were no outstanding balances due from deferred royalties as of December 31, 2021. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—Our financial condition and results of operations depend, to a certain extent, on the financial condition of our sub-franchisees and their ability to fulfill their obligations under their franchise agreements," "—Risks Related to Our Results of Operations and Financial Condition—We are subject to significant foreign currency exchange controls and currency devaluation in certain countries in which we operate," and "—Risks Related to Our Business and Operations—The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affect our business, results of operations and cash flows."

In the event of a voluntary or involuntary transfer of any of the McDonald's restaurants located in the Territories to a person other than a subsidiary of ours or an affiliate of one of our franchisees, we must charge a transfer fee of not less than $10,000 and must pay to McDonald's an amount equal to 50% of the fee charged.

All payments to McDonald's must be made in U.S. dollars, but are based on local currency exchange rates at the time of payment.

Material Breach

A material breach under the MFAs would occur if we, or our subsidiaries that are a party to the MFAs, materially breached any of the representations or warranties or obligations under the MFAs (not cured within 30 days after receipt of notice thereof from McDonald's) relating to or otherwise in connection with any aspect of the master franchise business, the

franchised restaurants or any other matter in or affecting any one or more Territories. The following events, among others, constitute a material breach under the MFAs: our noncompliance with anti-terrorism or anti-corruption policies and procedures required by applicable law; our bankruptcy, insolvency, voluntary filing or filing by any other person of a petition in commercial insolvency; our conviction or that of our subsidiaries, or of our or our subsidiaries' agents or employees for a crime or offense that is punishable by incarceration for more than one year or a felony, or a crime or offense or the indictment on charges thereof that, in the determination of McDonald's, is likely to adversely affect the reputation of such person, any franchised restaurant or McDonald's; the entry of any judgment against us or our subsidiaries in excess of $1,000,000 that is not duly paid or otherwise discharged within 30 days (unless such judgment is being contested on appeal in good faith); our failure to maintain certain quarterly financial ratios and not cure any non-compliance within 30 days; our failure to achieve (a) at least 80% of the targeted openings during any one-calendar year of any restaurant opening plan; or (b) at least 90% of the targeted openings during the three-calendar year term of any restaurant opening plan; and our failure to comply with at least 80% of the funding requirements of any reinvestment plan with respect to any Territory for a period of one year.

Business of the Company and the Other Owner Entities

In addition to the payment of franchise fees described above, we and the other Owner Entities are subject to a variety of obligations and restrictions under the MFAs.

Under the MFAs, we cannot, directly or indirectly, enter into any other QSR business or any business other than the operation of McDonald's-branded restaurants in the Territories. Neither we nor any of the other Owner Entities can engage in a business other than holding, directly or indirectly, our equity interests. In addition, neither we nor any of the other Owner Entities can engage in any activity or participate in any business that competes with McDonald's business.

Under the MFAs, Los Laureles Ltd., a British Virgin Islands company beneficially owned by Mr. Woods Staton, our Executive Chairman and controlling shareholder, is required to own not less than 40% of our economic interests and 51% of our voting interests. The MFAs do provide an exception for any dilution following an initial public offering, so long as such dilution does not cause Los Laureles Ltd. to be diluted below 30% of our economic interests. Also, under the MFAs, we are required to own, directly or indirectly, 100% of the equity interests of our subsidiaries and cannot enter into any partnership, joint venture or similar arrangement without McDonald's consent. In addition, at least 50% of all McDonald's-branded restaurants in the Territories must be Company-operated restaurants.

Real Estate

Under the MFAs, we must own or lease the real estate property where all of our Company-operated restaurants are located. In addition, we cannot transfer or encumber a significant portion of the real estate properties that we own without McDonald's consent. Due to the geographic and commercial importance of certain restaurants, we may not sell certain "iconic" properties without the prior written consent of McDonald's. For certain of these selected properties, we have already perfected a first priority lien in favor of McDonald's.

Under the MFAs, no more than 50% of the total number of restaurants in each Territory, and no more than 10% of the total number of restaurants in all the Territories, can be located on real estate property that is owned, held or leased by our sub-franchisees.

In addition, the MFA lists 25 restaurants that we are prohibited from selling or otherwise transferring without McDonald's consent.

Transfer of Equity Interests or Significant Assets

Under the MFAs, neither we nor any of the other Owner Entities can transfer or pledge the equity interests of any of our subsidiaries, or any significant portion of our assets, without McDonald's consent.

Operational Control

Under the MFAs, McDonald's is entitled to approve the appointment of our chief executive officer and our chief operating officer.

In the event that McDonald's modifies its standards applicable to technology and related equipment, we must purchase any new or modified technology, software, hardware or equipment necessary to comply with the modified standards.

Restaurant Opening Plan and Reinvestment Plan

Under the MFAs, we are required to agree with McDonald's on a restaurant opening plan and a reinvestment plan for each three-year period or such other commitment or period that McDonald's may approve during the term of the MFAs. The restaurant opening plan specifies the number and type of new restaurants to be opened in the Territories during the applicable three-year period or such other commitment or period that McDonald's may approve, while the reinvestment plan specifies the amount we must spend reimaging or upgrading restaurants during the applicable three-year period or such other commitment or period that McDonald's may approve. Prior to the expiration of the then-applicable three-year period or such other commitment or period that McDonald's may approve, we must agree with McDonald's on a subsequent restaurant opening plan and reinvestment plan. We may also propose, subject to McDonald's prior written consent, amendments to any restaurant opening plan and/or reinvestment plan to adapt to changes in economic or political conditions.

In the event we are unable to reach an agreement on subsequent plans prior to the expiration of the then-existing plan, the MFAs provide for an automatic increase of 20% in the required amount of reinvestments as compared to the then-existing plan and a number of new restaurants no less than 210 multiplied by a factor that increases each period during the subsequent three-year restaurant opening plan or such other commitment or period that McDonald's may approve.

Advertising and Promotion Plan

Under the MFAs, we must develop and implement a marketing plan with respect to each Territory that must be approved in advance by McDonald's. The MFAs require us to spend at least 5% of our gross sales on advertisement and promotion activities. In connection with the beginning of the COVID-19 pandemic, we agreed with McDonald's to reduce this spending requirement from 5% to 4% of our gross sales for the full year 2020. Beginning on January 1, 2021, we resumed spending 5% of our gross sales on advertising and promotion. Our advertising and promotion activities are guided by our overall marketing plan, which identifies the key strategic platforms that we aim to leverage in order to drive sales.

Insurance

Under the MFAs, we are required to acquire and maintain a variety of insurance policies with certain minimum coverage limits, including commercial general liability, workers compensation, "all risk" property and business interruption insurance, among others.

Call Option Right and Security Interest in Equity Interests of the Company

Under the MFAs, McDonald's has the right, or "Call Option", to acquire our non-public shares or our interests in one or more Territories upon: (i) the expiration of the initial term of the MFAs on August 2, 2027 if the initial term is not extended, (ii) the occurrence of a material breach of the MFAs or (iii) during the period of 12 months following the earlier of (x) the 18th month anniversary of the death or permanent incapacity of Mr. Woods Staton or (y) the receipt by McDonald's of notice from Mr. Woods Staton's heirs that they have elected to have the period of 12 months commence as of the date specified in the notice. McDonald's generally has the right either to exercise the Call Option with respect to all of the Territories, or, in its sole discretion, with respect to the Territory or Territories identified by McDonald's as being affected by such material breach or to which such material breach may be attributable except upon the occurrence of an initial material breach relating to any Territory or Territories in which there are less than 100 restaurants in operation. In such case, McDonald's only has the right to acquire the equity interests of any of our subsidiaries in the relevant Territory or Territories. As of December 31, 2021, we had more than 100 restaurants in operation in each of Argentina, Brazil and Mexico. In Puerto Rico, we had 93 restaurants in operation, and no other Territory had more than 90 restaurants in operation.

If McDonald's exercises the Call Option upon the occurrence of the events described in clause (i) or (iii) of the preceding paragraph, it must pay a purchase price equal to 100% of the fair market value of our non-public shares. If the Call Option is exercised upon the occurrence of a material breach, however, the purchase price is reduced to 80% of the fair market value of all of our non-public shares or of all of the equity interests of the subsidiaries operating restaurants in the Territory related to such material breach, as applicable. The purchase price paid by McDonald's upon exercise of the Call Option is, in all events, reduced by the amount of debt and contingencies and increased by the amount of cash attributable to the entity whose equity interests are being acquired pursuant to the Call Option. In the event McDonald's were to exercise its right to acquire all of our non-public shares, McDonald's would become our controlling shareholder.

If McDonald's exercises the Call Option with respect to any of our subsidiaries (but not all of them) and the amount of debt and contingencies (minus cash) attributable to the equity interests of those subsidiaries is greater than the fair market value of those equity interests, we must, at our election, either (i) assume the debts and contingencies (minus cash) and deliver the equity interests to McDonald's free of any obligations with respect thereto or (ii) pay to McDonald's the absolute value of that amount. The fair market value of any of the equity interests is to be determined by internationally recognized investment banks without taking into consideration the debt, contingencies or cash attributable to the equity interests.

In order to secure McDonald's right to exercise the Call Option, McDonald's was granted a perfected security interest in the equity interests of the Master Franchisee, the Brazilian Master Franchisee and our subsidiaries other than our subsidiaries organized in Costa Rica, Mexico, French Guiana, Guadeloupe and Martinique. The equity interests of our subsidiaries organized in Costa Rica and Mexico were transferred to a trust for the benefit of McDonald's. McDonald's does not have a security interest in the equity interests of our subsidiaries organized in French Guiana, Guadeloupe and Martinique.

The equity interests were transferred to Citibank, N.A., acting as escrow agent. Subject to the terms of the Escrow Agreement and the Intercreditor Agreement, upon McDonald's exercise of the Call Option and its payment of the respective purchase price, the escrow agent must transfer the equity interests, free of any liens or encumbrances, to McDonald's.

Limitations on Indebtedness

Under the MFAs, we cannot incur any indebtedness secured by the collateral pledged by us and certain of our subsidiaries in connection with the letters of credit or amend or waive any of the terms related to the collateral, without McDonald's consent. The pledged collateral includes the equity interests of certain of our subsidiaries, certain of our rights under certain of the Acquisition documents, franchise document payment rights, and our intercompany debt and notes.

Under the MFAs, we must maintain a fixed charge coverage ratio (as defined therein) at least equal to 1.50 and a leverage ratio (as defined therein) not in excess of 4.25. If we are unable to comply with our original commitments under the MFA or to obtain a waiver for any non-compliance in the future, we could be in material breach. Our breach of the MFA would give McDonald's certain rights, including the ability to acquire all or portions of our business. See "—Material Breach." As a consequence of the negative impacts of the COVID-19 pandemic on the Company's operations, during 2020, McDonald's Corporation granted us limited waivers from June 30, 2020 through and including December 31, 2021, during which time the Company is not required to comply with the financial ratios set forth in the MFA.

For the three-month periods ended from June 30, 2020, September 30, 2020 and December 31, 2020, we were not in compliance with the fixed charge coverage ratio and leverage ratio. As of September 30, 2021, however, we were once again in compliance with the fixed charge coverage ratio and as of December 31, 2021, we were in compliance with both required ratios. As of December 31, 2021, our fixed charge coverage ratio was 1.89, and our leverage ratio was 3.94. The ratios for these periods were as follows:

Arcos Dorados Financial Ratios under the MFA

	Quarter ended				
	December 31, 2020	**March 31, 2021**	**June 30, 2021**	**September 30, 2021**	**December 31, 2021**
Leverage Ratio	7.71	7.85	5.50	4.46	3.94
Fixed Charge Coverage Ratio	0.96	0.93	1.40	1.65	1.89

Letters of Credit

As security for the performance of our obligations under the MFAs, we have obtained (i) on August 3, 2007, an irrevocable standby letter of credit in favor of McDonald's in an amount of $65.0 million and later reduced to $45.0 million on October 30, 2015, issued by Credit Suisse acting as issuing bank through its Cayman Islands Branch, (ii) on May 9, 2011, an irrevocable standby letter of credit in favor of McDonald's in an amount of $15.0 million, issued by Itaú, acting as issuing bank through its New York Branch, and (iii) on November 3, 2015, an irrevocable standby letter of credit in favor of McDonald's in an amount of $20.0 million, issued by JPMorgan, acting as issuing bank through its New York Branch. The Credit Suisse, Itaú and JPMorgan letters of credit expire on September 30, 2022, June 24, 2024 and June 11, 2024, respectively, but we will be required by the MFAs to renew these letters of credit or obtain new standby letters of credit in the same amount.

The Credit Suisse letter of credit and reimbursement agreement contains a limited number of customary affirmative and negative covenants. These include limitations on (i) any transfer of the MFAs, (ii) amendment or waiver of the MFAs without the consent of the issuing bank, (iii) our leverage ratio, (iv) taking any action to elect to assume the debt of any of our subsidiaries upon McDonald's exercise of a partial Call Option, (v) our ability to guaranty obligations of our subsidiaries, and (vi) amendments to the credit agreement.

Credit Suisse, as issuing bank, has a security interest in certain of our rights under certain Acquisition documents, franchise document payment rights and our intercompany debt notes. In addition, our subsidiaries (other than those organized in Ecuador, French Guiana, Guadeloupe, Martinique and Peru, and certain subsidiaries organized in Argentina, Colombia and Mexico) guaranteed to Credit Suisse the full and prompt payment of our obligations under the Credit Suisse letter of credit and reimbursement agreement.

The letter of credit that we obtained from Itaú effectively replaced the cash collateral that we had previously pledged in favor of McDonald's in an amount of $15.0 million. The Itaú continuing standby letter of credit agreement contains a limited number of customary affirmative and negative covenants. These include limitations on (i) any transfer of the MFAs, (ii) amendment or waiver of the MFAs without the consent of the issuing bank, (iii) our leverage ratio, (iv) taking any action to elect to assume the debt of any of our subsidiaries upon McDonald's exercise of a Call Option, and (v) permitting ourselves or any of our subsidiaries to become insolvent.

In 2021, we renewed the letter of credit obtained from Itaú and updated the issuing entity from Arcos Dorados B.V. to us. In addition, Arcos Dourados Comercio de Alimentos S.A. delivered a guaranty (*carta de fianca*) to Itaú in an amount of $15.0 million evidencing our obligations to Itaú under the continuing standby letter of credit agreement to make the full and punctual payment when due of our obligations and liabilities to Itaú in respect of the Itaú letter of credit and the continuing standby letter of credit agreement, including without limitation our reimbursement obligations for any payments made by Itaú under the letter of credit.

The letter of credit that we obtained from JPMorgan effectively replaced the $20.0 million reduction in the Credit Suisse letter of credit.

The JPMorgan letter of credit is guaranteed by certain of our subsidiaries and contains a limited number of customary affirmative and negative covenants. These include limitations on (i) our leverage ratio, (ii) the dissolution, liquidation or winding-up of the applicant or a guarantor, (iii) a material breach or failure to comply with the MFA, and (iv) permitting the applicant or any guarantor to become insolvent.

Although we do not have any amounts outstanding under our letters of credit at this time, any default under the letters of credit would also result in a material breach of our obligations under the MFAs. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Operations—The COVID-19 pandemic, including any new variants, and its impact in the regions in which we operate could materially and adversely affect our business, results of operations and cash flows."

We received waivers from our lenders for any event of default which may have occurred related to compliance with the financial ratio covenants in our letters of credit, which are measured at the end of each quarter, through and including the first quarter of 2021, for Itaú and JPMorgan, and December 31, 2021 for Credit Suisse.

Termination

The MFAs automatically terminate without the need for any party to it to take any further action if any type of insolvency or similar proceeding in respect of us or any of the other Owner Entities commences.

In the event of the occurrence of certain material breaches, such as if we fail to comply with the reinvestment plan or restaurant opening plan, McDonald's has the right to terminate the MFAs.

Upon the termination of the MFAs, McDonald's has the right to acquire all, but not less than all, of our equity interests at fair market value, which is to be calculated by internationally recognized investment banks selected by us and McDonald's. The fair market value of our equity interests shall be calculated in U.S. dollars based on the amount that would be received for our equity interests in an arm's-length transaction between a willing buyer and a willing seller, taking into account the benefits provided by the MFAs.

The 2023 Notes, the 2027 Notes and the 2029 Sustainability-Linked Notes

For a description of the 2023 notes, the 2027 notes and the 2029 sustainability-linked notes, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources."

The Revolving Credit Facilities

For a description of the revolving credit facilities entered into by Arcos Dorados B.V. with JPMorgan see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Revolving Credit Facilities."

D. Exchange Controls

There are currently no exchange control regulations in the BVI applicable to us or our shareholders. For information about any exchange controls or restrictions in Argentina, Brazil and Mexico, see "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls."

E. Taxation

British Virgin Islands Tax Considerations

The following summary contains a general description of certain British Virgin Islands tax consequences of the acquisition, ownership and disposition of class A shares, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to hold class A shares. The general summary is based upon the tax laws of the British Virgin Islands and regulations thereunder as of the date hereof, which are subject to change.

We are not liable to pay any form of corporate taxation in the BVI and all dividends, interests, rents, royalties, compensations and other amounts paid by us to persons who are not persons resident in the BVI or providing services in the BVI are exempt from all forms of taxation in the BVI and any capital gains realized with respect to any shares, debt obligations, or other securities of ours by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of ours.

Subject to the payment of stamp duty on the acquisition or certain leasing of property in the BVI by us (and in respect of certain transactions in respect of the shares, debt obligations or other securities of BVI incorporated companies owning land in the BVI), all instruments relating to transfers of property to or by us and all instruments relating to transactions in respect of the shares, debt obligations or other securities of ours and all instruments relating to other transactions relating to our business are exempt from payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to us or our shareholders who are not providing services in the BVI.

The BVI has signed an inter-governmental agreement to improve international tax compliance and the exchange of information with the United States (the "U.S. IGA"). The BVI has also signed, along with over 100 other countries, a multilateral competent authority agreement to implement the Organization for Economic Co-Operation and Development (OECD) Standard for Automatic Exchange of Financial Account Information - Common Reporting Standard (the "CRS" and together with the U.S. IGA, "AEOI").

Amendments have been made to the Mutual Legal Assistance (Tax Matters) Act 2003 and orders have been made pursuant to this statute (the "BVI Legislation") to give effect to the terms of the U.S. IGA under BVI law. Guidance notes were published by the government of the BVI in March 2015 to provide practical assistance to entities and others affected by the U.S. IGA and the BVI Legislation (the "FATCA Guidance Notes"). Further amendments have been made to the BVI Legislation to give effect to the terms of the CRS, which took effect on January 1, 2016. The implementing legislation makes it clear that the CRS commentary published by the OECD is an integral part of the CRS and applies for the purposes of the automatic exchange of financial account information. Additional guidance was issued by the BVI International Tax Authority (the "ITA") in October 2016 (and most recently updated by the ITA in February 2019) to aid with compliance with the BVI legislation relating to CRS (the "CRS Guidance Notes").

All BVI "Financial Institutions" are required to comply with the registration, due diligence and reporting requirements of the BVI Legislation, except to the extent that they can rely on an exemption that allows them to become a "Non-Reporting Financial Institution" (as defined in the relevant BVI Legislation) with respect to one or more of the AEOI regimes.

We do not believe we are classified as a "Foreign Financial Institution" or "Financial Institution" within the meaning of AEOI and the BVI Legislation. However, if we were to determine that our classification has changed, we may request additional information from any shareholder and its beneficial owners to identify whether shares in the Company are held directly or indirectly by "Reportable Persons" (as defined by AEOI). Information in respect of Reportable Persons would be disclosed to the ITA of the BVI. The ITA in turn is required under AEOI and the BVI Legislation to disclose information in respect of Reportable Persons to the foreign fiscal authorities relevant to such Reportable Persons.

There is no income tax treaty currently in effect between the United States and the BVI.

Material U.S. Federal Income Tax Considerations for U.S. Holders

The following summary describes the material U.S. federal income tax consequences of the ownership and disposition of class A shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to own such securities. This summary applies only to U.S. Holders (as defined below) that own class A shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences, the potential application of the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") known as the Medicare contribution tax, and tax consequences applicable to certain U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding class A shares as part of a hedge, "straddle," wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the class A shares;
- persons whose "functional currency" for U.S. federal income tax purposes is not the U.S. dollar;
- tax exempt entities, including "individual retirement accounts" and "Roth IRAs";
- entities classified as partnerships for U.S. federal income tax purposes;
- persons that own or are deemed to own ten percent or more of our shares, by vote or by value;
- persons who acquired our class A shares pursuant to the exercise of an employee stock option or otherwise as compensation; or
- persons holding class A shares in connection with a trade or business conducted outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds class A shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding class A shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the class A shares.

This discussion is based upon the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, all as of the date hereof, changes to any of which may affect the tax consequences described herein—possibly with retroactive effect.

A "U.S. Holder" is a holder who, for U.S. federal income tax purposes, is a beneficial owner of class A shares that is:

(1) a citizen or individual resident of the United States;

(2) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

(3) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and foreign tax consequences of owning and disposing of class A shares in their particular circumstances.

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

Distributions paid on class A shares, other than certain pro rata distributions of class A shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, we expect that distributions generally will be reported to U.S. Holders as dividends. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be eligible for taxation as "qualified dividend income" and therefore may be taxable at rates applicable to long-term capital gains. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rates on dividends in their particular circumstances. The amount of the dividend will be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's receipt of the dividend.

Sale or Other Taxable Disposition of Class A Shares

For U.S. federal income tax purposes, gain or loss realized on the sale or other taxable disposition of class A shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder owned the class A shares for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the class A shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

We believe that we were not a "passive foreign investment company" (a "PFIC") for U.S. federal income tax purposes for our 2021 taxable year. However, because the application of the Treasury Regulations is not entirely clear and because PFIC status depends on the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year.

If we were a PFIC for any taxable year during which a U.S. Holder owned class A shares, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of the class A shares would be allocated ratably over the U.S. Holder's holding period for the class A shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability for each taxable year. Further, to the extent that any distribution received by a U.S. Holder on its class A shares exceeds 125% of the average of the annual distributions on the class A shares received during the preceding three years or such U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the disposition of a share of a PFIC, described immediately above. If we were a PFIC, certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the class A shares that differ from the treatment set forth in this paragraph.

In addition, if we were a PFIC or, with respect to any U.S. Holder, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the preferential dividend rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

If we are a PFIC for any taxable year during which a U.S. Holder owned our class A shares, the U.S. Holder will generally be required to file IRS Form 8621 (or any successor form) with their annual U.S. federal income tax returns, subject to certain exceptions.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. Holders who are individuals (and specified entities that are formed or availed of for purposes of holding certain foreign financial assets) may be required to report information relating to their ownership of stock of a non-U.S. person, subject to certain exceptions (including an exception for stock held in certain accounts maintained by a U.S. financial institution). U.S. Holders should consult their tax advisers regarding the effect, if any, of these reporting requirements on their ownership and disposition of class A shares.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet website that contains reports and other information filed by us electronically with the SEC. The address of that website is www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will send the transfer agent a copy of all notices of shareholders' meetings and other reports, communications and information that are made generally available to shareholders. The transfer agent has agreed to mail to all shareholders a notice containing the information (or a summary of the information) contained in any notice of a meeting of our shareholders received by the transfer agent and will make available to all shareholders such notices and all such other reports and communications received by the transfer agent.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

In the ordinary course of our business activities, we are exposed to various market risks that are beyond our control, including fluctuations in foreign exchange rates and the price of our primary supplies, and which may have an adverse effect on the value of our financial assets and liabilities, future cash flows and profit. As a result of these market risks, we could suffer a loss due to adverse changes in foreign exchange rates and the price of commodities in the international markets. In addition, we are subject to equity price risk relating to our share-based compensation plans. Our policy with respect to these market risks is to assess the potential of experiencing losses and the consolidated impact thereof, and to mitigate these market risks. We do not enter into market risk sensitive instruments for trading or speculative purposes.

Foreign Currency Exchange Rate Risk

Foreign Currency Exchange Rate Risk in 2021

We are exposed to foreign currency exchange rate risk primarily in connection with the fluctuation in the value of the local currencies of the countries in which we operate, such as the Brazilian *real* and the Mexican *peso*, among others. We generate revenues and cash from our operations in local currencies while a significant portion of our long-term debt is denominated in U.S. dollars. An adverse change in foreign currency exchange rates would therefore affect the generation of cash flow from operations in U.S. dollars, which could negatively impact our ability to pay amounts owed in U.S. dollars. In order to partially mitigate the foreign exchange rate risk related to our long-term debt, we entered into certain derivative instruments. See Note 13 to our consolidated financial statements for more detail. Moreover, our continuing franchise fee payments to McDonald's pursuant to the MFAs must be translated into and paid in U.S. dollars using the exchange rate of the last business day of the month, payable on the seventh day subsequent to each month-end. As such, in the intervening period we are subject to foreign exchange risk.

While substantially all our income is denominated in the local currencies of the countries in which we operate, our supply chain management involves the importation of various products, and some of our imports are denominated in U.S. dollars. Therefore, we are exposed to foreign currency exchange risk related to imports. We have entered into various forward contracts to hedge a portion of the foreign exchange risk associated with the forecasted imports of certain countries. See Note 13 to our consolidated financial statements for more details.

We are also exposed to foreign exchange risk related to U.S. dollar-denominated intercompany balances held by certain of our operating subsidiaries with our holding companies, and to foreign currency-denominated intercompany balances held by our holding companies with certain operating subsidiaries. Although these intercompany balances are eliminated through consolidation, a fluctuation in exchange rates could have a significant impact on our results through the recognition of foreign currency exchange losses in our consolidated income (loss) statement. To help mitigate some of these foreign currency exchange rate risks, we have entered into certain derivative instruments. See Note 13 to our consolidated financial statements for more details.

A depreciation of 10% in the value of the Brazilian *reais* against the U.S. dollar would result in a net foreign exchange loss totaling $10.8 million over (i) U.S. dollar-denominated intercompany loans held by our Brazilian subsidiary partially offset by derivatives of $118.9 million, (ii) the cross-currency interest rate swap used to partially hedge the intercompany loan receivable of Arcos Dorados B.V. denominated in Brazilian *reais* (R$23.8 million including accrued interest), (iii) the Brazilian *reais*-denominated intercompany payable held by our subsidiaries, Arcos Dorados B.V. and LatAm LLC (R$7.0 million including accrued interest), (iv) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of $2.5 million as of December 31, 2021.

An appreciation of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of $6.4 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of $46.4 million as of December 31, 2021.

An appreciation of 10% in the value of the Costa Rican *colones* against the U.S. dollar would result in a foreign exchange loss of $4.5 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Costa Rica of $42.3 million as of December 31, 2021.

An appreciation of 10% in the value of the Uruguayan *peso* against the U.S. dollar would result in a foreign exchange loss of $4 million mainly related to the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiaries in Uruguay of $36.8 million as of December 31, 2021.

An appreciation of 10% in the value of the Mexican *peso* against the U.S. dollar would result in a foreign exchange loss of $3.3 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiaries in Mexico of $29.9 million as of December 31, 2021.

A depreciation of 10% in the value of the Peruvian *peso* against the U.S. dollar would result in a foreign exchange loss of $2.4 million mainly related to the outstanding U.S. dollar-denominated intercompany payable held by our subsidiary in Peru of $26.6 million as of December 31, 2021.

Fluctuations in the value of the other local currencies against the U.S. dollar would not result in material foreign exchange gains or losses as of December 31, 2021 since there are no other significant intercompany balances exposed to foreign exchange risk.

We are also exposed to foreign currency exchange risk related to the currency translation of our Venezuelan operations. A devaluation of the Venezuelan *bolívar* against the U.S. dollar would result in a foreign currency exchange loss as a result of remeasuring monetary balances denominated in Venezuelan *bolívares*. See Note 22 to our consolidated financial statements for details about exchange controls affecting our operations in Venezuela.

Summary of Foreign Currency Exchange Rate Risk in 2020

We are exposed to foreign currency exchange rate risk primarily in connection with the fluctuation in the value of the local currencies of the countries in which we operate, such as the Brazilian *real* and the Mexican *peso*, among others. We generate revenues and cash from our operations in local currencies while a significant portion of our long-term debt is denominated in U.S. dollars. An adverse change in foreign currency exchange rates would therefore affect the generation of cash flow from operations in U.S. dollars, which could negatively impact our ability to pay amounts owed in U.S. dollars. In order to partially mitigate the foreign exchange rate risk related to our long-term debt, we entered into certain derivative instruments. See Note 13 to our consolidated financial statements for more detail. Moreover, our continuing franchise fee payments to McDonald's pursuant to the MFAs must be translated into and paid in U.S. dollars using the exchange rate of the last business day of the month, payable on the seventh day subsequent to each month-end. As such, in the intervening period we are subject to foreign exchange risk.

While substantially all our income is denominated in the local currencies of the countries in which we operate, our supply chain management involves the importation of various products, and some of our imports are denominated in U.S. dollars. Therefore, we are exposed to foreign currency exchange risk related to imports. We have entered into various forward contracts to hedge a portion of the foreign exchange risk associated with the forecasted imports of certain countries. See Note 13 to our consolidated financial statements for more details. In addition, we attempt to minimize this risk also by entering into annual and semi-annual pricing arrangements with our main suppliers.

We are also exposed to foreign exchange risk related to U.S. dollar-denominated intercompany balances held by certain of our operating subsidiaries with our holding companies, and to foreign currency-denominated intercompany balances held by our holding companies with certain operating subsidiaries. Although these intercompany balances are eliminated through consolidation, a fluctuation in exchange rates could have a significant impact on our results through the recognition of foreign currency exchange losses in our consolidated (loss) income statement. To help mitigate some of these foreign currency exchange rate risks, we have entered into certain derivative instruments. See Note 13 to our consolidated financial statements for more details.

A depreciation of 10% in the value of the Brazilian *reais* against the U.S. dollar would result in a net foreign exchange loss totaling $12.9 million over (i) U.S. dollar-denominated intercompany loans held by our Brazilian subsidiary partially offset by derivatives of $135.5, (ii) the cross-currency interest rate swap used to partially hedge the intercompany loan receivable of Arcos Dorados B.V. denominated in Brazilian *reais* (R$22.7 million including accrued interest), (iii) the Brazilian *reais*-denominated intercompany net receivable held by our subsidiaries, Arcos Dorados B.V. and LatAm LLC (R$45.0 million including accrued interest), (iv) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of $2.5 million as of December 31, 2020.

An appreciation of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of $5.0 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of $46.4 million as of December 31, 2020.

An appreciation of 10% in the value of the Costa Rican *colones* against the U.S. dollar would result in a foreign exchange loss of $4.6 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Costa Rica of $42.3 million as of December 31, 2020.

An appreciation of 10% in the value of the Uruguayan *peso* against the U.S. dollar would result in a foreign exchange loss of $4.1 million mainly related to the outstanding U.S. dollar-denominated intercompany net receivable held by our subsidiaries in Uruguay of $36.8 million as of December 31, 2020.

A depreciation of 10% in the value of the Peruvian *peso* against the U.S. dollar would result in a foreign exchange loss of $2.2 million mainly related to the outstanding U.S. dollar-denominated intercompany payable held by our subsidiary in Peru of $24.5 million as of December 31, 2020.

Fluctuations in the value of the other local currencies against the U.S. dollar would not result in material foreign exchange gains or losses as of December 31, 2020 since there are no other significant intercompany balances exposed to foreign exchange risk.

We are also exposed to foreign currency exchange risk related to the currency translation of our Venezuelan operations. A devaluation of the Venezuelan *bolívar* against the U.S. dollar would result in a foreign currency exchange loss as a result of remeasuring monetary balances denominated in Venezuelan *bolívares*. See Note 22 to our consolidated financial statements for details about exchange controls affecting our operations in Venezuela.

Commodity Price Risk

With respect to commodities exposure, given that we source beef, poultry, grains, shortening, dairy products, flours, cellulose, sugar, amongst other agricultural related products, we are exposed to commodities market risk due to changes in commodity prices that have a direct impact on our costs. We attempt to minimize this risk in a number of ways, including by: entering into commodity hedges through our suppliers (e.g., beef, grains and oil), entering into pricing agreements to lock in prices with key global suppliers for main cost drivers, and negotiating pricing protocol standards by working on open-book agreements with suppliers to have visibility and transparency on actual costs and adjust pricing accordingly. Arcos Dorados' volume also provides leverage and helps to mitigate impact and gain purchasing power above our competitors. Finally, a dedicated team is continuously seeking cost saving initiatives, such as productivity efficiencies and lower logistics, ingredients and/or formulation costs.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. Defaults

No matters to report.

B. Arrears and Delinquencies

No matters to report.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Material Modifications to Instruments

None.

B. Material Modifications to Rights

None.

C. Withdrawal or Substitution of Assets

None.

D. Change in Trustees or Paying Agents

None.

E. Use of Proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

As of December 31, 2021, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2021 in ensuring that information we are required to disclose in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

B. Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining an adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act.

Our internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes, in accordance with generally accepted accounting principles. These include those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements, in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, effective control over financial reporting cannot, and does not, provide absolute assurance of achieving our control objectives. Also, projections of, and any evaluation of effectiveness of the internal controls in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have adapted our internal control over financial reporting based on the guidelines set by the Internal Control—Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), or "COSO."

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021, based on the guidelines set forth by the COSO.

Based on this assessment, management believes that, as of December 31, 2021, its internal control over financial reporting was effective based on those criteria.

Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm, has audited and reported on the effectiveness of our internal controls over financial reporting as of December 31, 2021.

C. Attestation Report of the Registered Public Accounting Firm

Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm, has audited and reported on the effectiveness of our internal controls over financial reporting as of December 31, 2021, as stated in their report which appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
ARCOS DORADOS HOLDINGS INC.:

Opinion on Internal Control over Financial Reporting

We have audited Arcos Dorados Holdings Inc.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Arcos Dorados Holdings Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, and the related consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements") and our report dated March 16, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global

Buenos Aires, Argentina
March 16, 2022

D. Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15 or 15d-15 that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of three directors, Mr. Chu, Mr. Vélez and Mr. Fernandez, who are independent within the meaning of the SEC and NYSE corporate governance rules applicable to foreign private issuers. Our Board of Directors has determined that Mr. Chu, Mr. Vélez and Mr. Fernandez are also "audit committee financial experts" as defined by the SEC.

ITEM 16B. CODE OF ETHICS

Our Board of Directors has approved and adopted our Standards of Business Conduct, which are a code of ethics that applies to all employees of Arcos Dorados, including executive officers, and to our board members. Our Standards of Business Conduct are an exhibit to this annual report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table describes the amounts billed to us by the principal accountant, for audit and other services performed in fiscal years 2021 and 2020.

	2021	2020
	(in thousands of U.S. dollars)	
Audit fees	$ 2,159	$ 2,036
Audit-related fees	42	–
Tax fees	271	276
All other fees	–	–

Audit Fees

Audit fees are fees billed for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years. It includes the audit of our annual consolidated financial statements, the reviews of our quarterly consolidated financial statements submitted on Form 6-K (when required by management) and other services that generally only the independent accountant reasonably can provide, such as comfort letters, statutory audits, attestation services, consents and assistance with and review of documents filed with the Securities and Exchange Commission.

Audit-Related Fees

Audit-related fees are fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements for fiscal year 2021 and not reported under the previous category. These services would include, among others: employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards.

Tax Fees

Tax fees are fees billed for professional services for tax compliance, tax advice and tax planning.

All Other Fees

All other fees are fees not reported under other categories.

Pre-Approval Policies and Procedures

Our audit committee charter requires the audit committee to pre-approve the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services. The audit committee may delegate its authority to pre-approve services to the Chair of the audit committee, provided that such designees present any such approvals to the full audit committee at the next audit committee meeting.

All of the audit fees, audit-related fees, tax fees and all other fees described in this Item 16C have been pre-approved by the audit committee in accordance with these pre-approval policies and procedures.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In 2020 and 2021, the Company did not purchase any class A shares. However, on July 23, 2021, the Company distributed 2,960,926 treasury shares to satisfy an approved distribution of class A shares to shareholders.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Our class A shares are listed on the NYSE. We are therefore required to comply with certain of the NYSE's corporate governance listing standards, or the NYSE Standards. As a foreign private issuer, we may follow our home country's corporate governance practices in lieu of most of the NYSE Standards. Our corporate governance practices differ in certain significant respects from those that U.S. companies must adopt in order to maintain a NYSE listing and, in accordance with Section 303A.11 of the NYSE Listed Company Manual, a brief, general summary of those differences is provided as follows.

Director independence

The NYSE Standards require a majority of the membership of NYSE-listed company boards to be composed of independent directors. Neither British Virgin Islands law, the law of our country of incorporation, nor our memorandum and articles of association require a majority of our board to consist of independent directors. Our Board of Directors currently consists of eight members, three of whom are independent directors.

Non-management directors' executive sessions

The NYSE Standards require non-management directors of NYSE-listed companies to meet at regularly scheduled executive sessions without management. Our memorandum and articles of association do not require our non-management directors to hold such meetings.

Committee member composition

The NYSE Standards require NYSE-listed companies to have a nominating/corporate governance committee and a compensation committee that are composed entirely of independent directors. British Virgin Islands law, the law of our country of incorporation, does not impose similar requirements. We do not have a nominating/corporate governance committee.

Independence of the compensation and nomination committee and its advisers

NYSE listing standards require that the board of directors of a listed company consider two factors (in addition to the existing general independence tests) in the evaluation of the independence of compensation committee members: (i) the source of compensation of the director, including any consulting, advisory or other compensatory fees paid by the listed company, and (ii) whether the director has an affiliate relationship with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company. In addition, before selecting or receiving advice from a compensation consultant or other adviser, the compensation committee of a listed company is required to take into consideration six specific factors, as well as all other factors relevant to an adviser's independence.

Foreign private issuers such as us are exempt from these requirements if home country practice is followed. British Virgin Islands law does not impose similar requirements.

Miscellaneous

In addition to the above differences, we are not required to: make our audit and compensation and nomination committees prepare a written charter that addresses either purposes and responsibilities or performance evaluations in a manner that would satisfy the NYSE's requirements; acquire shareholder approval of equity compensation plans in certain cases; or adopt and make publicly available corporate governance guidelines.

We were incorporated under, and are governed by, the laws of the British Virgin Islands. For a summary of some of the differences between provisions of the BVI Act applicable to us and the laws application to companies incorporated in Delaware and their shareholders, see "Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law."

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this item.

ITEM 18. FINANCIAL STATEMENTS

Financial Statements are filed as part of this annual report. See page F-1.

ITEM 19. EXHIBITS

Exhibit No.	Description
1.1	Memorandum and Articles of Association, incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
2.1	Indenture dated September 27, 2013 among Arcos Dorados Holdings Inc., as issuer, the Subsidiary Guarantors named therein, Citibank N.A., as trustee, registrar, paying agent and transfer agent, and Banque Internationale à Luxembourg Société Anonyme, as Luxembourg paying agent, incorporated herein by reference to Exhibit 2.2 to the Company's Annual Report on Form 20-F for the year ended December 31, 2013 filed with the SEC on April 28, 2014.
2.2	Indenture dated April 4, 2017 among Arcos Dorados Holdings Inc., as issuer, the Subsidiary Guarantors named therein, and Citibank N.A., as trustee, registrar, paying agent and transfer agent, incorporated herein by reference to Exhibit 2.2 to the Company's Annual Report on Form 20-F for the year ended December 31, 2016 filed with the SEC on April 27, 2017.
2.3*	Indenture dated April 27, 2022 among Arcos Dorados B.V., as issuer, Arcos Dorados Holdings Inc., as Parent Guarantor, the Subsidiary Guarantors named therein, Citibank N.A., as trustee, registrar, paying agent and transfer agent, and Banque Internationale á Luxembourg, Société Anonyme, as Luxembourg paying agent.
2.4	Description of the Registrant's Capital Stock, incorporated herein by reference to Exhibit 2.3 to the Company's Annual Report on Form 20-F for the year ended December 31, 2019 filed with the SEC on April 29, 2020.
3.1	Los Laureles Voting Trust, incorporated herein by reference to Exhibit 9.1 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.1	Amended and Restated Master Franchise Agreement for McDonald's Restaurants in All of the Territories, except Brazil, incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.2	Amendment No. 1 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants in All of the Territories, except Brazil, incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.3	Second Amended and Restated Master Franchise Agreement for McDonald's Restaurants in Brazil, incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.4	Amendment No. 3 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants in all the Territories, except Brazil dated March 17, 2016 incorporated herein by reference to Exhibit 4.4 to the Company's Annual Report on Form 20-F for the year ended December 31, 2015 filed with the SEC on April 29, 2016.
4.5	Letter of Agreement dated as of July 31, 2014 among McDonald's Latin America and LatAm, LLC, incorporated herein by reference to Exhibit 4.4 to the Company's Annual Report on Form 20-F for the year ended December 31, 2014 filed with the SEC on April 29, 2015.
4.6	Amended and Restated Escrow Agreement dated October 12, 2010 among McDonald's Latin America, LLC, LatAm, LLC, each of the Escrowed MF Subsidiaries, Arcos Dorados Restaurantes de Chile Ltda., Arcos Dorados B.V., Deutsche Bank Trust Company Americas, as collateral agent, and Citibank, N.A., as escrow agent, incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.7	Letter of Credit Reimbursement Agreement dated August 3, 2007 between Arcos Dorados B.V. and Credit Suisse, acting through its Cayman Islands Branch, incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.

Exhibit No.	Description
4.8	Amendment to Letter of Credit Reimbursement Agreement dated November 3, 2008 between Arcos Dorados B.V. and Credit Suisse, acting through its Cayman Islands Branch, incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.9	Second Amendment to Letter of Credit Reimbursement Agreement dated December 10, 2008 between Arcos Dorados B.V. and Credit Suisse, acting through its Cayman Islands Branch, incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.10	Third Amendment to Letter of Credit Reimbursement Agreement dated July 8, 2009 between Arcos Dorados B.V. and Credit Suisse, acting through its Cayman Islands Branch, incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.11	Fourth Amendment to Letter of Credit Reimbursement Agreement dated April 23, 2010 between Arcos Dorados B.V. and Credit Suisse AG, Cayman Islands Branch, incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.12*	Fifth Amendment to Letter of Credit Reimbursement Agreement dated October 30, 2015 between Arcos Dorados B.V. and Credit Suisse AG, Cayman Islands Branch
4.13	ISDA Schedule to the 2002 Master Agreement dated as of December 14, 2009 between Morgan Stanley & Co. International plc and Arcos Dorados B.V., incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form F-1(File No. 333-173063) filed with the SEC on March 25, 2011.
4.14	ISDA Schedule to the 2002 Master Agreement dated as of December 14, 2009 between JPMorgan Chase Bank, N.A. and Arcos Dorados B.V., incorporated herein by reference to Exhibit 10.19 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.15	Credit Support Annex to the Schedule to the Master Agreement dated as of December 14, 2009 between JPMorgan Chase Bank, N.A. and Arcos Dorados B.V., incorporated herein by reference to Exhibit 10.20 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.16	Equity Incentive Plan, incorporated herein by reference to Exhibit 10.23 to the Company's Registration Statement on Form F-1 (File No. 333-173063) filed with the SEC on March 25, 2011.
4.17	Amendment No. 2 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants in All of the Territories, except Brazil, incorporated herein by reference to Exhibit 10.17 to the Company's Registration Statement on Form F-1 (File No. 333-177210) filed with the SEC on October 7, 2011.
4.18	ISDA Master Agreement dated as of April 20, 2012 between Bank of America, N.A. and Arcos Dorados Holdings Inc., incorporated herein by reference to Exhibit 4.19 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012 filed with the SEC on April 26, 2013.
4.19	ISDA Schedule to the 2012 Master Agreement dated as of April 20, 2012 between Bank of America, N.A. and Arcos Dorados Holdings Inc., incorporated herein by reference to Exhibit 4.20 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012 filed with the SEC on April 26, 2013.
4.20	Guarantee dated as of April 20, 2012 of Arcos Dourados Comercio de Alimentos S.A. in favor of Bank of America, N.A. in connection with the ISDA Master Agreement and Schedule thereto, each dated as of April 20, 2012, and any confirmations thereunder, incorporated herein by reference to Exhibit 4.21 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012 filed with the SEC on April 26, 2013.
4.21	Confirmation dated June 8, 2012 between Arcos Dorados Holdings Inc. and Bank of America, N.A., incorporated herein by reference to Exhibit 4.22 to the Company's Annual Report on Form 20-F for the year ended December 31, 2012 filed with the SEC on April 26, 2013.
4.22	Accession Agreement dated as of March 21, 2018 executed and delivered by Arcos Dorados Group B.V. pursuant to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants, dated November 10, 2008, incorporated by reference to Exhibit 4.33 to the Company's Annual Report on Form 20-F for the year ended December 31, 2018 filed with the SEC on April 26, 2019.
4.23	Continuing Standby Letter of Credit Agreement dated as of May 2, 2011 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and Itaú Unibanco S.A., New York Branch, as lender, incorporated herein by reference to Exhibit 4.22 to the Company's Annual Report on Form 20-F for the year ended December 31, 2020 filed with the SEC on April 29, 2021.

Exhibit No.	Description
4.24	Extension dated May 9, 2018 to the Continuing Standby Letter of Credit Agreement dated as of May 2, 2011 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and Itaú Unibanco S.A., New York Branch, as lender, incorporated herein by reference to Exhibit 4.23 to the Company's Annual Report on Form 20-F for the year ended December 31, 2020 filed with the SEC on April 29, 2021.
4.25	ISDA Master Agreement dated as of September 6, 2013 between Citibank, N.A. and Arcos Dorados Holdings Inc, incorporated herein by reference to Exhibit 4.24 to the Company's Annual Report on Form 20-F for the year ended December 31, 2020 filed with the SEC on April 29, 2021.
4.26	ISDA Schedule to the 2013 Master Agreement dated as of September 6, 2013 between Citibank, N.A. and Arcos Dorados Holdings Inc., incorporated herein by reference to Exhibit 4.22 to the Company's Annual Report on Form 20-F for the year ended December 31, 2020 filed with the SEC on April 29, 2021.
4.27	Application and Agreement for Irrevocable Standby Letter of Credit Agreement dated as of November 3, 2015 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and JPMorgan Chase Bank, N.A., as lender, incorporated herein by reference to Exhibit 4.26 to the Company's Annual Report on Form 20-F for the year ended December 31, 2020 filed with the SEC on April 29, 2021.
4.28*	Amendment No. 2 dated as of November 2, 2021 to the Application and Agreement for Irrevocable Standby Letter of Credit Agreement dated as of November 3, 2015 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and JPMorgan Chase Bank, N.A., as lender.
4.29	Amendment No. 1 dated as of November 5, 2018 to the Application and Agreement for Irrevocable Standby Letter of Credit Agreement dated as of November 3, 2015 among Arcos Dorados B.V., as applicant, McDonald's Latin America, LLC, as beneficiary, and JPMorgan Chase Bank, N.A., as lender, incorporated herein by reference to Exhibit 4.27 to the Company's Annual Report on Form 20-F for the year ended December 31, 2020 filed with the SEC on April 29, 2021.
4.30	Credit Agreement dated as of December 11, 2020 among Arcos Dorados Holdings Inc., as borrower, certain subsidiaries of the borrower, as guarantors and JPMorgan Chase Bank, N.A., as lender, incorporated herein by reference to Exhibit 4.28 to the Company's Annual Report on Form 20-F for the year ended December 31, 2020 filed with the SEC on April 29, 2021.
4.31*	First Amendment, dated as of March 8, 2021, to the Amended and Restated Credit Agreement dated as of December 11, 2020 among Arcos Dorados Holdings Inc., as borrower, certain subsidiaries of the borrower, as guarantors and JPMorgan Chase Bank, N.A., as lender.
4.32*	Second Amendment, dated as of December 10, 2021, to the Amended and Restated Credit Agreement dated as of December 11, 2020 among Arcos Dorados Holdings Inc., as borrower, certain subsidiaries of the borrower, as guarantors and JPMorgan Chase Bank, N.A., as lender.
4.33*	Continuing Standby Letter of Credit Agreement dated as of June 24, 2021 among Arcos Dorados Holdings Inc., as applicant, McDonald's Latin America, LLC, as beneficiary, and Itaú Unibanco S.A., Miami Branch, as lender.
4.34*	Subsidiary Joinder Agreement dated as of October 27, 2021 between Arcos Dorados Puerto Rico, LLC, as additional guarantor and JPMorgan Chase Bank, N.A., as lender pursuant to the Amended and Restated Credit Agreement, dated as of December 11, 2020.
4.35*	Subsidiary Joinder Agreement dated as of October 27, 2021 between Golden Arch Development LLC, as additional guarantor and JPMorgan Chase Bank, N.A., as lender pursuant to the Amended and Restated Credit Agreement, dated as of December 11, 2020.
8.1*	List of subsidiaries.
11.1	Standards of Business Conduct of the Company, incorporated by reference to Exhibit 11.1 to the Company's Annual Report on Form 20-F for the year ended December 31, 2018 filed with the SEC on April 26, 2019.
12.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
12.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
13.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
13.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.
15.1*	Consent of Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global, independent registered public accounting firm.

Exhibit No.	Description
101.INS**	Inline XBRL Instance Document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104**	Inline Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed with this Annual Report on Form 20-F.

** In accordance with Rule 402 of Regulation S-T, the information in these exhibits shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Arcos Dorados Holdings Inc.

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

Date: April 29, 2022

Arcos Dorados Holdings Inc.

Consolidated Financial Statements
As of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements – Arcos Dorados Holdings Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

ARCOS DORADOS HOLDINGS INC.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Arcos Dorados Holdings Inc. (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the company´s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 16, 2022, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the account or disclosure to which they relate.

Impairment of long-lived assets for markets with impairment indicators

Description of the Matter

As of December 31, 2021, the carrying amount of long-lived assets is thousands of $1,540,711, including PPE, Leases right of use assets, net, and intangible assets. As a result of its impairment assessment exercise, the Company recorded a loss of thousands of $1,573, during 2021.

The Company operates in twenty countries in Latin America and the Caribbean with different economic and political circumstances. As explained in note 3 to the consolidated financial statements, management carries out an impairment assessment on long-lived assets annually, or whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable, that includes identifying the existence of impairment indicators at the country level. When impairment indicators are identified for any given country, an estimate of undiscounted future cash flows is prepared by the Company for each individual restaurant located in that country. The estimation of future cash flows requires management to make assumptions about the future business performance and other key inputs that entail significant judgments by management. These estimates can be significantly impacted by many factors, including changes in global and local business and economic conditions, including the effects of the COVID-19 outbreak mentioned in note 1, operating costs, inflation, competition and consumer and demographic trends.

Auditing this area is especially challenging because the process of estimation of undiscounted future cash flows implies the determination of key assumptions that are complex and highly judgmental. The key assumptions used by management in the impairment calculation include country economic indicators projections of sales, margin growth rates, capital expenditures and useful lives of long-lived assets. These key assumptions are forward looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested controls of the impairment calculation process. For example, we identified and tested the operating effectiveness of the Company's controls around the consistency of the estimation model inputs with the accounting records and the evaluation of the key assumptions made by management.

To test management assessment of impairment of long lived assets our audit procedures included, among others, testing the macroeconomic variables used by management, such as inflation rates and GDP growth, assessing the consistency between the estimated cash flows in the model and the business plan approved by management, comparing the remaining life of fixed assets with the accounting records and the clerical accuracy of the computations. Additionally, we evaluated the valuation methods used by management, including the key assumptions used in determining the undiscounted future cash flows of each restaurant. We also involved our valuation specialists to assist in evaluating the methodology and the key assumptions used in the future cash flows estimation by management. We also compared forecasts to business plans and previous forecasts of projected cash flows to actual results to assess management estimation process.

We also assessed the completeness of the related disclosures in note 3 to the consolidated financial statements.

Tax and labor contingencies

Description of the Matter

The Company has operations in Brazil representing 37.7% of the revenues of the group for the year ended December 31, 2021 and maintains a provision for tax and labor contingencies in that country that represents a 68% of the provision for contingencies balance of the group as of December 31, 2021. As described in note 18, the Company assesses the likelihood of any adverse judgments in labor claims or outcomes on its tax positions, including income tax and other taxes, based on the technical merits of a tax position derived from legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position or labor claim.

Auditing the measurement of tax and labor contingencies related to certain claims and transactions was challenging because their measurement is complex, highly judgmental, and is based on interpretations of tax laws, case-law jurisprudence and requires estimating the future outcome of individual claims.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls around identification of matters, evaluation of tax and labor opinions, and tested management's review controls over the assumptions made in the estimation of provisions and related disclosures.

To test the labor and tax contingencies provision, our audit procedures included, among others, involving personnel with specialized knowledge to assess the technical merits of the Company's tax positions; assessing the Company's correspondence with the relevant tax authorities; evaluating third-party tax opinions obtained by the Company; separately corresponding with certain key external tax and legal advisors of the Company, inspecting the minutes of the meetings of the Audit Committee and Board of Directors; obtaining confirmation letters from the group's vice president of human resources and the group's tax director, and evaluating the application of relevant tax law in the Company's determination of its provision. As part of our evaluation, we have considered historical information to assess the assumptions made by management in relation to the potential outcomes.

We also evaluated the completeness of Company's disclosures included in note 18 to the consolidated financial statements in relation to these matters.

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global
We have served as the Company's auditor since 2007.

Buenos Aires, Argentina
March 16, 2022
except for Note 27.c, as to which the date is
April 29, 2022

Arcos Dorados Holdings Inc.

Consolidated Statements of Income (Loss)

For the fiscal years ended December 31, 2021, 2020 and 2019

Amounts in thousands of US dollars, except for share data and as otherwise indicated

REVENUES	2021	2020	2019
Sales by Company-operated restaurants	$ 2,543,907	$ 1,894,618	$ 2,812,287
Revenues from franchised restaurants	116,034	89,601	146,790
Total revenues	**2,659,941**	**1,984,219**	**2,959,077**
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses:			
Food and paper	(899,077)	(677,087)	(1,007,584)
Payroll and employee benefits	(482,608)	(413,074)	(567,653)
Occupancy and other operating expenses	(772,169)	(624,154)	(799,633)
Royalty fees	(131,401)	(110,957)	(155,388)
Franchised restaurants – occupancy expenses	(50,627)	(43,512)	(61,278)
General and administrative expenses	(210,909)	(171,382)	(212,515)
Other operating income (expenses), net	26,369	(10,807)	4,910
Total operating costs and expenses	**(2,520,422)**	**(2,050,973)**	**(2,799,141)**
Operating income (loss)	**139,519**	**(66,754)**	**159,936**
Net interest expense	(49,546)	(59,068)	(52,079)
(Loss) gain from derivative instruments	(5,183)	(2,297)	439
Gain from securities	—	25,676	—
Foreign currency exchange results	(9,189)	(31,707)	12,754
Other non-operating income (expenses), net	2,185	2,296	(2,097)
Income (loss) before income taxes	**77,786**	**(131,854)**	**118,953**
Income tax expense	(31,933)	(17,532)	(38,837)
Net income (loss)	**45,853**	**(149,386)**	**80,116**
Less: Net income attributable to non-controlling interests	(367)	(65)	(220)
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**$ 45,486**	**$ (149,451)**	**$ 79,896**
Earnings per share information:			
Basic net income (loss) per common share attributable to Arcos Dorados Holdings Inc.	$ 0.22	$ (0.72)	$ 0.39
Diluted net income (loss) per common share attributable to Arcos Dorados Holdings Inc.	0.22	(0.72)	0.38

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Comprehensive Income (Loss)
For the fiscal years ended December 31, 2021, 2020 and 2019
Amounts in thousands of US dollars

	2021	2020	2019
Net income (loss)	**$ 45,853**	**$ (149,386)**	**$ 80,116**
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(37,372)	(76,382)	(12,246)
Post-employment benefits (expenses):			
Loss recognized in accumulated other comprehensive loss	(190)	(195)	(55)
Reclassification of net loss to consolidated statement of income	152	236	864
Post-employment (expenses) benefits (net of deferred income taxes of $21, $70 and $42).	(38)	41	809
Cash flow hedges:			
Net gain (loss) recognized in accumulated other comprehensive loss	19,698	54,287	(5,185)
Reclassification of net (gain) loss to consolidated statement of income	(5,301)	(43,324)	85
Cash flow hedges (net of deferred income taxes of $(2,332), $(2,582) and $1,290)	14,397	10,963	(5,100)
Total other comprehensive loss	**(23,013)**	**(65,378)**	**(16,537)**
Comprehensive income (loss)	**22,840**	**(214,764)**	**63,579**
Less: Comprehensive income attributable to non-controlling interests	(262)	(42)	(142)
Comprehensive income (loss) attributable to Arcos Dorados Holdings Inc.	**$ 22,578**	**$ (214,806)**	**$ 63,437**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Balance Sheet

As of December 31, 2021 and 2020

Amounts in thousands of US dollars, except for share data and as otherwise indicated

ASSETS	2021	2020
Current assets		
Cash and cash equivalents	$ 278,830	$ 165,989
Accounts and notes receivable, net	82,180	94,249
Other receivables	22,031	20,521
Inventories	37,800	33,601
Prepaid expenses and other current assets	119,275	100,469
Derivative instruments	—	702
Total current assets	**540,116**	**415,531**
Non-current assets		
Miscellaneous	71,442	72,268
Collateral deposits	2,500	2,500
Property and equipment, net	743,533	796,532
Net intangible assets and goodwill	38,808	37,046
Deferred income taxes	67,802	55,567
Derivative instruments	120,371	121,901
Equity method investments	13,105	1,640
Lease right of use asset, net	763,580	790,969
Total non-current assets	**1,821,141**	**1,878,423**
Total assets	**$ 2,361,257**	**$ 2,293,954**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 269,215	$ 209,535
Royalties payable to McDonald's Corporation	15,933	44,779
Income taxes payable	70,276	34,447
Other taxes payable	67,086	56,837
Accrued payroll and other liabilities	89,923	79,218
Provision for contingencies	2,140	2,024
Interest payable	11,383	11,947
Current portion of long-term debt	4,741	3,129
Derivative instruments	8,046	4,727
Operating lease liabilities	79,120	56,828
Total current liabilities	**617,863**	**503,471**
Non-current liabilities		
Accrued payroll and other liabilities	21,900	21,884
Provision for contingencies	31,946	24,924
Long-term debt, excluding current portion	739,217	773,445
Derivative instruments	14,880	14,534
Deferred income taxes	7,170	5,067
Operating lease liabilities	707,119	752,613
Total non-current liabilities	**1,522,232**	**1,592,467**
Total liabilities	**$ 2,140,095**	**$ 2,095,938**
Equity		
Class A shares of common stock	$ 388,369	$ 386,603
Class B shares of common stock	132,915	132,915
Additional paid-in capital	10,101	11,540
Retained earnings	316,180	290,895
Accumulated other comprehensive loss	(607,768)	(584,860)
Common stock in treasury	(19,367)	(39,547)
Total Arcos Dorados Holdings Inc. shareholders' equity	**220,430**	**197,546**
Non-controlling interests in subsidiaries	732	470
Total equity	**221,162**	**198,016**
Total liabilities and equity	**$ 2,361,257**	**$ 2,293,954**

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Cash Flows

For the fiscal years ended December 31, 2021, 2020 and 2019

Amounts in thousands of US dollars

	2021	2020	2019
Operating activities			
Net income (loss) attributable to Arcos Dorados Holdings Inc.	$ 45,486	$ (149,451)	$ 79,896
Adjustments to reconcile net income (loss) attributable to Arcos Dorados Holdings Inc. to cash provided by operating activities:			
Non-cash charges and credits:			
Depreciation and amortization	120,394	126,853	123,218
Loss (gain) from derivative instruments	5,183	2,297	(439)
Amortization and accrual of letter of credit fees and deferred financing costs	4,247	3,505	3,190
Gain of property and equipment sales	(1,428)	(201)	(664)
Deferred income taxes	(16,066)	471	(7,974)
Foreign currency exchange results	4,031	35,928	(11,656)
Accrued net share-based compensation expense	758	1,360	4,060
Impairment of long-lived assets and goodwill	1,573	7,721	9,063
Write-offs of property and equipment	3,095	4,501	4,733
Gain on Sales of restaurants businesses	—	—	(5,078)
Gain on contribution of businesses in equity method investment	(8,501)	—	—
Others, net	6,707	(10,234)	(955)
Changes in assets and liabilities:			
Accounts payable	78,201	(23,993)	39,434
Accounts and notes receivable and other receivables	(4,689)	(13,210)	(27,988)
Inventories, prepaid and other assets	(38,655)	(25,032)	(21,802)
Income taxes payable	41,530	(5,825)	10,931
Other taxes payable	14,211	13,014	20,891
Accrued payroll and other liabilities and provision for contingencies	29,992	16,755	1,320
Royalties payable to McDonald's Corporation	(27,167)	28,981	2,979
Others	(858)	2,526	322
Net cash provided by operating activities	**258,044**	**15,966**	**223,481**
Investing activities			
Property and equipment expenditures	(114,999)	(86,311)	(265,235)
Purchases of restaurant businesses paid at acquisition date	(185)	(3,833)	(2,658)
Proceeds from sales of property and equipment and related advances	1,987	800	3,340
Proceeds from sales of restaurant businesses and related advances	—	—	4,818
Other investing activity	4,918	638	(1,256)
Net cash used in investing activities	**(108,279)**	**(88,706)**	**(260,991)**
Financing activities			
Issuance of 2027 Notes	—	153,375	—
Collection of derivative instruments	23,240	—	—
Repurchase of 2027 Senior Notes	(18,364)	—	—
Repurchase of 2023 Senior Notes	(16,231)	—	—
Dividend payments to Arcos Dorados Holdings Inc. shareholders	(21)	(10,220)	(22,425)
Net short-term borrowings	—	(10,578)	13,159
Treasury stock purchases	—	—	(13,965)
Other financing activities	(6,550)	(6,568)	(6,401)
Net cash (used in) provided by financing activities	**(17,926)**	**126,009**	**(29,632)**
Effect of exchange rate changes on cash and cash equivalents	(18,998)	(9,160)	(8,260)
Increase (decrease) in cash and cash equivalents	**112,841**	**44,109**	**(75,402)**
Cash and cash equivalents at the beginning of the year	165,989	121,880	197,282
Cash and cash equivalents at the end of the year	**$ 278,830**	**$ 165,989**	**$ 121,880**

Arcos Dorados Holdings Inc.

Consolidated Statements of Cash Flows

For the fiscal years ended December 31, 2021, 2020 and 2019

Amounts in thousands of US dollars

	2021	2020	2019
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	$ 52,578	$ 57,066	$ 52,458
Income tax	34,543	22,502	34,092
Non-cash investing and financing activities:			
Stock dividend distribution to Arcos Dorados Holdings Inc.' Shareholders, at cost	20,180	20,453	—
Seller financing pending of payment and settlement of franchise receivables related to purchases of restaurant businesses	—	1,606	905
Contribution of businesses in equity method investment	11,012	—	—

See Notes to the Consolidated Financial Statements

Arcos Dorados Holdings Inc.

Consolidated Statements of Changes in Equity

For the fiscal years ended December 31, 2021, 2020 and 2019

Amounts in thousands of US dollars, except for share data and as otherwise indicated

	Arcos Dorados Holdings Inc. Shareholders											
	Class A shares of common stock		Class B shares of common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Common Stock in treasury		Total	Non-controlling interests	Total
	Number	Amount	Number	Amount				Number	Amount			
Balances at December 31, 2018	**131,593,073**	**379,845**	**80,000,000**	**132,915**	**14,850**	**413,074**	**(502,266)**	**(6,360,826)**	**(46,035)**	**392,383**	**376**	**392,759**
Net income for the year	—	—	—	—	—	79,896	—	—	—	79,896	220	80,116
Other comprehensive loss	—	—	—	—	—	—	(16,459)	—	—	(16,459)	(78)	(16,537)
Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.11 per share)	—	—	—	—	—	(22,425)	—	—	—	(22,425)	—	(22,425)
Dividends on restricted share units under the 2011 Equity Incentive Plan	—	—	—	—	—	(176)	—	—	—	(176)	—	(176)
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	470,558	3,359	—	—	(3,359)	—	—	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	1,884	—	—	—	—	1,884	—	1,884
Treasury stock purchases	—	—	—	—	—	—	—	(1,632,776)	(13,965)	(13,965)	—	(13,965)
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(90)	(90)
Adoption of ASU 2017-12	—	—	—	—	—	780	(780)	—	—	—	—	—
Balances at December 31, 2019	**132,063,631**	**383,204**	**80,000,000**	**132,915**	**13,375**	**471,149**	**(519,505)**	**(7,993,602)**	**(60,000)**	**421,138**	**428**	**421,566**
Net loss for the year	—	—	—	—	—	(149,451)	—	—	—	(149,451)	65	(149,386)
Other comprehensive loss	—	—	—	—	—	—	(65,355)	—	—	(65,355)	(23)	(65,378)
Cash Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.05 per share)	—	—	—	—	—	(10,220)	—	—	—	(10,220)	—	(10,220)
Cash Dividends on restricted share units under the 2011 Equity Incentive Plan	—	—	—	—	—	(130)	—	—	—	(130)	—	(130)
Stock Dividends to Arcos Dorados Holdings Inc.'s shareholders (75 shares per share)	—	—	—	—	—	(20,453)	—	2,723,614	20,453	—	—	—
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	472,130	3,399	—	—	(3,399)	—	—	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	1,564	—	—	—	—	1,564	—	1,564
Balances at December 31, 2020	**132,535,761**	**386,603**	**80,000,000**	**132,915**	**11,540**	**290,895**	**(584,860)**	**(5,269,988)**	**(39,547)**	**197,546**	**470**	**198,016**
Net income for the year	—	—	—	—	—	45,486		—	—	45,486	367	45,853
Other comprehensive loss	—	—	—	—	—	—	(22,908)	—	—	(22,908)	(105)	(23,013)
Cash Dividends to Arcos Dorados Holdings Inc.'s shareholders (fractional shares)	—	—	—	—	—	(21)	—	—	—	(21)	—	(21)
Stock Dividends to Arcos Dorados Holdings Inc.'s shareholders (70 shares per share)	—	—	—	—	—	(20,180)	—	2,960,926	20,180	—	—	—
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	251,623	1,766	—	—	(1,766)	—	—	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	327	—	—	—	—	327	—	327
Balances at December 31, 2021	**132,787,384**	**388,369**	**80,000,000**	**132,915**	**10,101**	**316,180**	**(607,768)**	**(2,309,062)**	**(19,367)**	**220,430**	**732**	**221,162**

See Notes to the Consolidated Financial Statements.

1. Organization and nature of business

Arcos Dorados Holdings Inc. (the "Company") is a company limited by shares incorporated and existing under the laws of the British Virgin Islands. The Company's fiscal year ends on the last day of December. The Company has through its wholly-owned Company Arcos Dorados Group B.V., a 100% equity interest in Arcos Dorados B.V. ("ADBV").

On August 3, 2007 the Company, indirectly through its wholly-owned subsidiary ADBV, entered into a Stock Purchase Agreement and Master Franchise Agreements ("MFAs") with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonald's business in Latin America and the Caribbean ("LatAm business"). See Note 4 for details. Prior to this acquisition, the Company did not carry out operations. The Company's rights to operate and franchise McDonald's-branded restaurants in the Territories, and therefore the ability to conduct the business, derive exclusively from the rights granted by McDonald's Corporation in the MFAs through 2027. The initial term of the MFA for French Guyana, Guadeloupe and Martinique was ten years through August 2, 2017 with an option to extend the agreement for these territories for an additional period of ten years, through August 2, 2027. On July 20, 2016, the Company has exercised its option to extend the MFA for these three territories.

The Company, through ADBV's wholly-owned and majority owned subsidiaries, operates and franchises McDonald's restaurants in the food service industry. The Company has operations in twenty territories as follows: Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guyana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, the U.S. Virgin Islands of St. Croix and St. Thomas (USVI) and Venezuela. All restaurants are operated either by the Company's subsidiaries or by independent entrepreneurs under the terms of sub-franchisee agreements (franchisees).

COVID - 19

The global pandemic resulting from COVID-19 has disrupted global health, economic and market conditions.

During 2020, federal, state and local governments mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories, curfews and quarantining of people who may have been exposed to the virus. These limitations significantly disrupted the Company's business operations with a negative impact on its financial results: revenues were affected by the temporary closure of restaurants throughout Latin America and the Caribbean, which caused the Company to significantly reduce its capital expenditures as well as all costs and expenses, in order to preserve liquidity. McDonald's Corporation supported the Company by authorizing a reduction in the advertising and promotion spending requirements, offering a deferral of some royalty payments and agreeing to withdraw the previously-approved restaurant opening plan and reinvestment plan. See Note 18 for further information.

During 2021, with the implementation of vaccination programs and increasing vaccination rates across the region, governments alleviated restrictions and the Company was able to operate substantially all its restaurants throughout the year. As a result of this more normalized operating environment, the Company loosened its cash preservation measures. With improved liquidity, the Company agreed to a new restaurant opening plan for 2021, only. See Note 18 for further information. The Company did not need to increase financial debt during 2021 and was able to significantly reduce its financial leverage over the course of the year through a consistent improvement in its operating results.

Since the beginning of the pandemic, the Company benefited from certain government measures enacted in Latin America and the Caribbean to help companies manage the economic impacts of COVID-19. Government measures included: modification of existing regulations to reduce workdays or taxes, tax payment deferrals and subsidies related to labor costs, among others. All subsidies granted were recognized on a systematic basis over the periods in which the related expenses were recorded, within "Payroll and employee benefits" or "General and administrative expenses" in the Company´s consolidated statement of income/(loss). The Company complies with all the terms and conditions required by the governments to maintain the benefits granted.

1. Organization and nature of business (continued)

COVID-19 (Continued)

While the Company cannot predict the duration or scope of the COVID-19 pandemic and the resurgence of infections or the emergence of new variants in one or more markets; it continues to closely monitor the dynamic environment that could negatively impact its business. The Company believes in its ability to obtain the sources of liquidity and capital resources that are necessary in this challenging economic environment and also believes that its liquidity and capital resources, including working capital, are adequate for its present requirements and business operations and will be adequate to satisfy its currently anticipated requirements during at least the next twelve months for working capital, capital expenditures and other corporate needs.

2. Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has elected to report its consolidated financial statements in United States dollars ("$" or "US dollars").

3. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of the consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign currency matters

The financial statements of the Company's foreign operating subsidiaries are translated in accordance with guidance in ASC 830 Foreign Currency Matters. Except for the Company's Venezuelan and Argentinian operations, the functional currencies of the Company's foreign operating subsidiaries are the local currencies of the countries in which they conduct their operations. Therefore, assets and liabilities are translated into US dollars at the balance sheet date exchange rates, and revenues, expenses and cash flow are translated at average rates prevailing during the periods. Translation adjustments are included in the "Accumulated other comprehensive loss" component of shareholders' equity. The Company includes foreign currency exchange results related to monetary assets and liabilities transactions, including intercompany transactions, denominated in currencies other than its functional currencies in its statements of income (loss).

3. Summary of significant accounting policies (continued)

Foreign currency matters (continued)

Since January 1, 2010 and July 1, 2018, Venezuela and Argentina, respectively, were considered to be highly inflationary, and as such, the financial statements of these subsidiaries are remeasured as if its functional currency was the reporting currency of the immediate parent company (US dollars for Venezuelan operation, Brazilian reais ("BRL") for Argentinian operation from July 2018 to June 2020 and US dollars since July 2020). As a result, remeasurement gains and losses are recognized in earnings rather than in the cumulative translation adjustment, component of "Accumulated other comprehensive loss" within shareholders' equity. In addition, in these territories, there are foreign currency restrictions. Since 2019, in Argentina several measures have been adopted including, among others: (i) limitation to hoarding and consumption in foreign currency for natural persons, (ii) taxes to increase the official exchange rate, (iii) approvals issued by the Central Bank of Argentina to access foreign currency to settle imports of goods or services, principal and interest from financial payables to foreign parties, profits and dividends. See Note 22 for information about foreign currency restrictions in Venezuela.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less, from the date of purchase, to be cash equivalents.

Revenue recognition

The Company's revenues consist of sales by Company-operated restaurants and revenues from restaurants operated by franchisees. Sales by Company-operated restaurants are recognized at the point of sale. The Company presents sales net of sales tax and other sales-related taxes. Revenues from restaurants operated by franchisees include rental income, initial franchise fees and royalty income. Rental income is measured on a monthly basis based on the greater of a fixed rent, computed on a straight-line basis, or a certain percentage of gross sales reported by franchisees. Initial franchise fees represent the difference between the amount the Company collects from the franchisee and the amount the Company pays to McDonald's Corporation upon the opening of a new restaurant. Royalty income represents the difference, if any, between the amount the Company collects from the franchisee and the amount the Company is required to pay to McDonald's Corporation. Royalty income is recognized in the period earned.

Accounts and notes receivable and allowance for doubtful accounts

Accounts receivable primarily consist of royalty and rent receivables due from franchisees, debit, credit and delivery vendor receivables. Accounts receivable are initially recorded at fair value and do not bear interest. Notes receivable relates to interest-bearing financing granted to certain franchisees in connection with the acquisition of equipment and third-party suppliers. The Company maintains an allowance for doubtful accounts in an amount that it considers sufficient to cover the expected credit losses. In judging the adequacy of the allowance for doubtful accounts, the Company follows ASC 326 "Financial Instruments - Credit Losses" considering, multiple factors including historical bad debt experience, the aging of the receivables, the current economic environment, remote risks of loss and future economic conditions.

Other receivables

As of December 31, 2021, other receivables primarily consist of related party receivables, value-added tax and other tax receivables, insurance claim receivables and McDonald's Corporation's indemnification for contingencies, amounting to $13,141. As of December 31, 2020, other receivables primarily consist of insurance claim receivables, value-added tax, other tax receivables, McDonald's Corporation's indemnification for contingencies and related party receivables, amounting to $10,685.

Other receivables are reported at the amount expected to be collected.

3. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost or market, with cost being determined on a first-in, first-out basis.

Property and equipment, net

Property and equipment are stated at cost, net of accumulated depreciation. Property costs include costs of land and building for both company-operated and franchise restaurants while equipment costs primarily relate to company-operated restaurants. Cost of property and equipment acquired from McDonald's Corporation (as part of the acquisition of LatAm business) was determined based on its estimated fair market value at the acquisition date, then partially reduced by the allocation of the negative goodwill that resulted from the purchase price allocation. Cost of property and equipment acquired or constructed after the acquisition of LatAm business in connection with the Company's restaurant reimaging and extension program is comprised of acquisition and construction costs and capitalized internal costs. Capitalized internal costs include payroll expenses related to employees fully dedicated to restaurant construction projects and related travel expenses. Capitalized payroll costs are allocated to each new restaurant location based on the actual time spent on each project. The Company commences capitalizing costs related to construction projects when it becomes probable that the project will be developed – when the site has been identified and the related profitability assessment has been approved. Maintenance and repairs are expensed as incurred. Accumulated depreciation is calculated using the straight-line method over the following estimated useful lives: buildings – up to 40 years; leasehold improvements – the lesser of useful lives of assets or lease terms which generally include renewal options; and equipment 3 to 10 years.

Intangible assets, net

Intangible assets include computer software costs, initial franchise fees, reacquired rights under franchise agreements, letter of credit fees and others.

The Company follows the provisions of ASC 350-40-30 within ASC 350 Intangibles, Subtopic 40 Internal Use Software which requires the capitalization of costs incurred in connection with developing or obtaining software for internal use. These costs are amortized over a period of three years on a straight-line basis.

The Company is required to pay to McDonald's Corporation an initial franchisee fee upon opening of a new restaurant. The initial franchise fee related to Company-operated restaurants is capitalized as an intangible asset and amortized on a straight-line basis over the term of the franchise.

A reacquired franchise right is recognized as an intangible asset as part of the business combination in the acquisition of franchised restaurants apart from goodwill with an assigned amortizable life limited to the remaining contractual term (i.e., not including any renewal periods). The value assigned to the reacquired franchise right excludes any amounts recognized as a settlement gain or loss and is limited to the value associated with the remaining contractual term and operating conditions for the acquired restaurants. The reacquired franchise right is measured using a valuation technique that considers restaurant's cash flows after payment of an at-market royalty rate to the Company. The cash flows are projected for the remaining contractual term, regardless of whether market participants would consider potential contractual renewals in determining its fair value.

Letter of credit fees are amortized on a straight-line basis over the term of the Letter of Credit.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

3. Summary of significant accounting policies (continued)

Impairment and disposal of long-lived assets

In accordance with the guidance within ASC 360-10-35, the Company reviews long-lived assets (including property and equipment, intangible assets with definite useful lives and lease right of use asset, net) for impairment whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable. For purposes of reviewing assets for potential impairment, assets are grouped at a country level for each of the operating markets. The Company manages its restaurants as a group or portfolio with significant common costs and promotional activities; as such, each restaurant's cash flows are not largely independent of the cash flows of others in a market. If an indicator of impairment exists for any grouping of assets, an estimate of undiscounted future cash flows produced by each individual restaurant within the asset grouping is compared to its carrying value. If an individual restaurant is determined to be impaired, the loss is measured by the excess of the carrying amount of the restaurant over its fair value considering its highest and best use, as determined by an estimate of discounted future cash flows or its market value.

The Company assessed all markets for impairment indicators during the fourth quarter of 2021, 2020 and 2019. However, as a consequence of the impact that the spread of COVID-19 caused in Company's operations, during 2020 the Company performed impairment testing of its long-lived assets in some territories in previous quarters. As a result of those assessments, the Company concluded that the second step was required to be performed as a component of the impairment testing of its long-lived assets on a per store basis, in: Mexico, Aruba, Curaçao, Peru, USVI, Venezuela, Trinidad and Tobago, Colombia and Argentina for the fiscal years ended December 31, 2021; Ecuador, Puerto Rico, Mexico, Peru, Aruba, USVI, Venezuela, Colombia, Trinidad and Tobago, Curaçao, Panama and Argentina for the fiscal years ended December 31, 2020 and in Curaçao, Puerto Rico, Mexico, Peru, Aruba, USVI, Venezuela, Colombia and Trinidad and Tobago for the fiscal year ended December 31, 2019.

As a result of the impairment testing the Company recorded the following impairment charges, for the markets indicated below, within Other operating income (expenses), net on the consolidated statements of income:

Fiscal year	Markets	Total
2021	Mexico, USVI, Peru, Colombia, Venezuela and Argentina	$ 1,573
2020	Mexico, Puerto Rico, USVI, Peru, Aruba, Colombia, Venezuela, Ecuador, Panama and Argentina	6,636
2019	Mexico, Puerto Rico, USVI, Peru, Aruba, Curacao, Colombia and Venezuela	8,790

While the extent and duration of the economic fallout from the COVID-19 pandemic remains unclear, the Company will be monitoring the situation closely.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

3. Summary of significant accounting policies (continued)

Goodwill

Goodwill represents the excess of cost over the estimated fair market value of net tangible assets and identifiable intangible assets acquired. In accordance with the guidance within ASC 350 Intangibles-Goodwill and Other, goodwill is stated at cost and reviewed for impairment on an annual basis during the fourth quarter, or when an impairment indicator exists. The impairment test compares the fair value of each reporting unit, generally based on discounted future cash flows, with its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is measured as the difference between the implied fair value of the reporting unit's goodwill and the carrying amount of goodwill.

In assessing the recoverability of the goodwill, the Company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Estimates of future cash flows are highly subjective judgments based on the Company's experience and knowledge of its operations. These estimates can be significantly impacted by many factors including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends.

As a result of the analyses performed during the fiscal years 2021, 2020 and 2019, the Company recorded the following impairment charges, related to goodwill generated in the acquisition of franchised restaurants, for the markets indicated below within Other operating income (expenses), net on the consolidated statements of income:

Fiscal year	Markets	Total
2021	—	$ —
2020	Mexico	1,085
2019	Ecuador	273

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses related to Company-operated restaurants were $104,010, $60,855 and $115,568 in 2021, 2020 and 2019, respectively. Advertising expenses related to franchised operations do not affect the Company's expenses since these are recovered from franchisees. Advertising expenses related to franchised operations were $32,809, $26,486 and $43,039 in 2021, 2020 and 2019, respectively.

Accounting for income taxes

The Company records deferred income taxes using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The guidance requires companies to set up a valuation allowance for that component of net deferred tax assets which does not meet the more likely than not criterion for realization.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company is regularly audited by tax authorities, and tax assessments may arise several years after tax returns have been filed. Accordingly, tax liabilities are recorded when, in management's judgment, an uncertain tax position does not meet the more likely than not threshold for recognition. For tax positions that meet the more likely than not threshold, a tax liability may be recorded depending on management's assessment of how the tax position will ultimately be settled. The Company records interest and penalties on unrecognized tax benefits in the provision for income taxes.

3. Summary of significant accounting policies (continued)

Accounts payable outsourcing

The Company offers its suppliers access to an accounts payable services arrangement provided by third party financial institutions. This service allows the Company's suppliers to view its scheduled payments online, enabling them to better manage their cash flow and reduce payment processing costs. Independent of the Company, the financial institutions also allow suppliers to sell their receivables to the financial institutions in an arrangement separately negotiated by the supplier and the financial institution. The Company has no economic interest in the sale of these receivables and no direct relationship with the financial institutions concerning the sale of receivables. All of the Company's obligations, including amounts due, remain to the Company's suppliers as stated in the supplier agreements. As of December 31, 2021 and 2020, $20,125 and $13,354, respectively, of the Company's total accounts payable are available for this purpose and have been sold by suppliers to participating financial institutions.

Share-based compensation

The Company recognizes compensation expense as services required to earn the benefits are rendered. See Note 17 for details of the outstanding plans and the related accounting policies.

Derivative financial instruments

The Company utilizes certain hedge instruments to manage its interest rate and foreign currency rate exposures. The counterparties to these instruments generally are major financial institutions. The Company does not hold or issue derivative instruments for trading purposes. In entering into these contracts, the Company assumes the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The Company does not expect any losses as a result of counterparty defaults. All derivatives are recognized as either assets or liabilities in the balance sheets and are measured at fair value. Additionally, the fair value adjustments will affect either shareholders' equity as accumulated other comprehensive loss or net income depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

Severance payments

Under certain laws and labor agreements of the countries in which the Company operates, the Company is required to make minimum severance payments to employees who are dismissed without cause and employees leaving its employment in certain other circumstances. The Company accrues severance costs if they relate to services already rendered, are related to rights that accumulate or vest, are probable of payment and can be reasonably estimated. Otherwise, severance payments are expensed as incurred.

Provision for contingencies

The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and the Company's lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs. See Note 18 for details.

Comprehensive income (loss)

Comprehensive income (loss) includes net income as currently reported under generally accepted accounting principles and also includes the impact of other events and circumstances from non-owner sources which are recorded as a separate component of shareholders' equity. The Company reports foreign currency translation losses and gains, unrealized results on cash flow hedges as well as unrecognized post-retirement benefits as components of comprehensive income (loss).

3. Summary of significant accounting policies (continued)

Sales of property and equipment and restaurant businesses

The Company recognizes the sale of property and equipment when: (a) the profit is determinable, that is, the collectability of the sales price is reasonably assured or the amount that will not be collectible can be estimated, and (b) the earnings process is virtually complete, that is, the Company is not obliged to perform significant activities after the sale to earn the profit. The sale of restaurant businesses, related to the refranchising of company-operated restaurants, is recognized when the Company transfers substantially all of the risks and rewards of ownership.

In order to determine the gain or loss on the disposal, the goodwill associated with the sold of property and equipment and restaurant business, if any, is considered within the carrying value. The amount of goodwill to be included in that carrying amount is based on the relative fair value of the item to be disposed and the portion of the reporting unit that will be retained.

During fiscal years 2021, 2020 and 2019, the Company recorded results from sales of property and equipment and restaurant businesses, amounting to $1,428, $201 and $6,415, respectively, included within "Other operating income (expenses), net".

Segment information

In accordance with ASC 280, Segment Reporting, the Company has restated its comparative segment information based on the new structure of its geographic divisions.

Equity method investments

The Company utilizes the equity method to account for investments in companies when it provides the ability to exercise significant influence over operating and financial policies of the investee. Consolidated net income includes the Company's proportionate share of the net income or loss of these companies. Company´s judgment regarding the level of influence over each equity method investee includes considering key factors such as our ownership interest, representation on the board of directors, participation in policy-making decisions, other commercial arrangements and material intercompany transactions.

In November 2021, the Company contributed 20 restaurants businesses for a total amount of $11 million to a company named "Operadora de Franquicias Saile S.A.P.I. de C.V."("investee") in exchange of 49% of total shares and votes of the investee. The other investor, in turn, contributed 21 restaurants and cash in exchange of 51% of total shares and votes.

In accordance with ASC 323-10-30-2, the Company has measured the initial contribution of businesses given up in exchange for an equity method investment at the fair value of the restaurants contributed, thus recording a gain of $8.5 million within "Other operating income (expenses), net" on the consolidated statement of income, as of December 31, 2021.

The Company concluded that it has the ability to exercise significant influence over operating and financial policies of "Operadora de Franquicias Saile S.A.P.I. de C.V." and therefore subsequently measures its investment at equity method considering the effect of basis differences (fair value adjustments). As of December 31, 2021, the Company recorded a gain of $531 within "Other operating income (expenses), net" related to the equity method of its investments in companies.

Recent accounting pronouncements

No new accounting pronouncement issued or effective during the periods had or is expected to have a material impact on the Company's consolidated financial statements.

4. Acquisition of businesses

LatAm Business

On August 3, 2007, the Company, indirectly through its wholly-owned subsidiary ADBV, entered into a Stock Purchase Agreement with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonald's business in Latin America and the Caribbean for a final purchase price of $698,080.

The acquisition of the LatAm business was accounted for by the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. When the fair value of the net assets acquired exceeded the purchase price, the resulting negative goodwill was allocated to partially reduce the fair value of the non-current assets acquired on a pro-rata basis.

In connection with this transaction, ADBV and certain subsidiaries (the "MF subsidiaries") also entered into 20-year Master Franchise Agreements ("MFAs") with McDonald's Corporation which grants to the Company and its MF subsidiaries the following:

i. The right to own and operate, directly or indirectly, franchised restaurants in each territory;
ii. The right and license to grant sub franchises in each territory;
iii. The right to adopt and use, and to grant the right and license to sub franchisees to adopt and use, the system in each territory;
iv. The right to advertise to the public that it is a franchisee of McDonald's;
v. The right and license to grant sub franchises and sublicenses of each of the foregoing rights and licenses to each MF subsidiary.

The Company is required to pay to McDonald's Corporation continuing franchise fees (Royalty fees) on a monthly basis. The amount to be paid during the first 10 years of the MFAs was equal to 5% of the US dollar equivalent of the gross product sales of each of the franchised restaurants. This percentage increased to 6% for the subsequent 5-year period and will increase to 7% during the last 5-year period of the agreement. Payment of monthly royalties is due on the seventh business day of the next calendar month. As a consequence of the negative impacts of the spread of COVID-19 on the Company's operations, McDonald's granted the Company a deferral of all the royalty payments due related to sales from March to July 2020, settled during the first half of 2021.

Pursuant to the MFAs provisions, McDonald's Corporation has the right to (a) terminate the MFAs, or (b) exercise a call option over the Company's shares or any MF subsidiary, if the Company or any MF subsidiary (i) fails to comply with the McDonald's system (as defined in the MFAs), (ii) files for bankruptcy, (iii) defaults on its financial debt payments, (iv) substantially fails to achieve targeted openings and reinvestments requirements, or (v) upon the occurrence of any other event of default as defined in the MFAs.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

4. Acquisition of businesses (continued)

Other acquisitions

During fiscal years 2021, 2020 and 2019, the Company acquired certain franchised restaurants in certain territories. Presented below is supplemental information about these acquisitions:

Purchases of restaurant businesses:	**2021**	**2020**	**2019**
Property and equipment	$ 185	$ 16,756	$ 1,471
Identifiable intangible assets	—	4,922	1,347
Goodwill	—	1,224	1,589
Assumed debt	—	—	(77)
Gain on purchase of franchised restaurants	—	(1,708)	(767)
Purchase price	**185**	**21,194**	**3,563**
Seller financing	—	(1,000)	—
Settlement of franchise receivables	—	(16,361)	(905)
Net cash paid at acquisition date	**$ 185**	**$ 3,833**	**$ 2,658**

Since the acquisition of the McDonald's business in Latin America and the Caribbean, Puerto Rican franchisees had filed some lawsuits against McDonald's Corporation and certain subsidiaries purchased by the Company. On December 28, 2019 and March 31, 2020, the Company reached confidential settlement agreements with these franchisees, finalizing all controversies and disputes among the parties. As a consequence of the agreements, during January and May 2020, the Company acquired all the restaurants pertaining to the Puerto Rican franchisees, increasing its property and equipment in $14,290.

5. Accounts and notes receivable, net

Accounts and notes receivable, net consist of the following at year end:

	2021	**2020**
Receivables from franchisees	$ 27,778	$ 45,427
Debit and credit card receivables	38,839	29,784
Delivery Sales Receivables	7,871	8,604
Meal voucher receivables	5,641	4,857
Notes receivable	2,593	6,163
Allowance for doubtful accounts	(542)	(586)
	$ 82,180	**$ 94,249**

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following at year end:

	2021	**2020**
Prepaid taxes (i)	$ 81,083	$ 48,781
Prepaid expenses	26,052	30,175
Promotion items and related advances	10,935	20,701
Others	1,205	812
	$ 119,275	**$ 100,469**

(i) During 2021, Brazilian Supreme Court made its final decision about the unconstitutional inclusion of ICMS state tax in the taxable basis of PIS/COFINS federal tax. As a consequence, the Company was able to recover taxes amounting to $18,457. This recovery was recorded within Other Operating income (expenses), net. As of December 31, 2021 Prepaid taxes includes $8,805 related to this matter.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

7. Miscellaneous

Miscellaneous consist of the following at year end:

	2021	2020
Judicial deposits	$ 37,377	$ 36,943
Tax credits	12,289	10,365
Prepaid property and equipment	5,936	5,967
Notes receivable	3,942	4,484
Rent deposits	3,146	2,991
Others	8,752	11,518
	$ 71,442	**$ 72,268**

8. Property and equipment, net

Property and equipment, net consist of the following at year-end:

	2021	2020
Land	$ 128,055	$ 134,148
Buildings and leasehold improvements	660,745	657,652
Equipment	750,963	734,995
Total cost	**1,539,763**	**1,526,795**
Total accumulated depreciation	(796,230)	(730,263)
	$ 743,533	**$ 796,532**

Total depreciation expense for fiscal years 2021, 2020 and 2019 amounted to $109,462, $115,031 and $111,638, respectively.

9. Net intangible assets and goodwill

Net intangible assets and goodwill consist of the following at year-end:

	2021	2020
Net intangible assets (i)		
Computer software cost	$ 79,054	$ 69,999
Initial franchise fees	13,652	14,223
Reacquired franchised rights	15,403	16,884
Letter of credit fees	940	940
Others	1,000	1,000
Total cost	**110,049**	**103,046**
Total accumulated amortization	(76,451)	(71,601)
Subtotal	**33,598**	**31,445**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

9. Net intangible assets and goodwill (continued)

Goodwill (ii)	**2021**	**2020**
Brazil	2,992	3,196
Argentina	1,276	1,276
Chile	873	1,047
Colombia	69	82
Subtotal	**5,210**	**5,601**
	$ 38,808	**$ 37,046**

(i) Total amortization expense for fiscal years 2021, 2020 and 2019 amounted to $10,932, $11,822 and $11,580, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years and thereafter is as follows: $13,470 for 2022, $10,263 for 2023; $4,465 for 2024; $1,777 for 2025; $1,656 for 2026; and thereafter $1,967.

(ii) Related to the acquisition of franchised restaurants (Brazil, Argentina, Chile and Colombia) and non-controlling interests in Chile.

10. Accrued payroll and other liabilities

Accrued payroll and other liabilities consist of the following at year end:

	2021	**2020**
Current:		
Accrued payroll	$ 75,439	$ 59,772
Accrued expenses	7,789	14,993
Other liabilities	6,695	4,453
	$ 89,923	**$ 79,218**
Non-current:		
Phantom RSU award liability	$ 4,761	$ 2,730
Deferred revenues - Initial franchise fee	4,536	4,612
Deferred income	5,848	6,075
Security deposits	5,460	5,976
Other liabilities	1,295	2,491
	$ 21,900	**$ 21,884**

11. Short-term debt

On December 10, 2021, the Company renewed its committed revolving credit facility with JPMorgan Chase Bank, N.A (JPMorgan), for up to $25 million maturing on December 12, 2022. This revolving credit facility permits the Company to borrow money from time to time to cover its working capital needs and for other general corporate purposes. Principal is due upon maturity. However, prepayments are permitted without premium or penalty. Each loan made under this agreement will bear interest annually at SOFR plus 3.10% that will be payable on the date of any prepayment or at maturity.

11. Short-term debt (continued)

Revolving credit facility

The obligations of the Company under the revolving credit facility are jointly and severally guaranteed by certain of the Company's subsidiaries on an unconditional basis. The revolving credit facility includes customary covenants including, among others, restrictions on the ability of the Company, the guarantors and certain material subsidiaries to: (i) incur liens, (ii) enter into any merger, consolidation or amalgamation; (iii) sell, assign, lease or transfer all or substantially all of the borrower's or guarantor's business or property; (iv) enter into transactions with affiliates; (v) engage in substantially different lines of business; (vi) engage in transactions that violate certain anti-terrorism laws. In addition, the Company is required, among others, to comply, as of the last day of each quarter during the agreement, with a consolidated net indebtedness (including interest payable) to EBITDA lower than 3.00x.

As of December 31, 2021, the Company's net indebtedness (including interest payable) to EBITDA ratio was 1.39 and thus it is currently in compliance with the ratio requirement.

The revolving credit facility provides for customary events of default, which, if any of them occurs, would permit or require the lender to terminate its obligation to provide loans under the revolving credit facility and/or to declare all sums outstanding under the loan documents immediately due and payable.

No amounts are due at the date of issuance of these consolidated financial statements in connection with this revolving credit facility.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

12. Long-term debt

Long-term debt consists of the following at year-end:

	2021	2020
2027 Notes	$ 535,986	$ 553,354
2023 Notes	201,763	216,593
Finance lease obligations	6,139	5,941
Other long-term borrowings	7,509	10,199
Subtotal	**751,397**	**786,087**
Discount on 2023 Notes	(687)	(1,147)
Discount on 2027 Notes	(5,960)	(7,358)
Premium on 2023 Notes	254	427
Premium on 2027 Notes	2,613	3,206
Deferred financing costs	(3,659)	(4,641)
Total	**743,958**	**776,574**
Current portion of long-term debt	4,741	3,129
Long-term debt, excluding current portion	**$ 739,217**	**$ 773,445**

2027 and 2023 Notes

The following table presents additional information related to the 2027 and 2023 Notes (the "Notes"):

	Annual interest rate	Currency	Principal as of December 31, 2021	Principal as of December 31, 2020	Maturity
2027 Notes	5.875 %	USD	$ 535,986	$ 553,354	April 4, 2027
2023 Notes	6.625 %	USD	201,763	216,593	September 27, 2023

	Interest Expense (i)			DFC Amortization (i)			Amortization of Premium/Discount, net (i)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
2027 Notes	$ 32,175	$ 20,269	$ 15,569	$ 758	$ 402	$ 299	$ 805	$ 133	$ —
2023 Notes	13,768	20,882	23,060	224	294	323	287	371	402

(i) These charges are included within "Net interest expense" in the consolidated statements of income.

On September 27, 2013, the Company issued senior notes for an aggregate principal amount of $473.8 million, which are due in 2023 (the "2023 Notes"). Periodic payments of principal are not required and interest is paid semi-annually commencing on March 27, 2014. The Company incurred $3,313 of financing costs related to the cash issuance of 2023 Notes, which were capitalized as deferred financing costs ("DFC") and are being amortized over the life of the notes.

12. Long-term debt (continued)

2027 and 2023 Notes (continued)

On June 1, 2016, the Company launched a cash tender offer to purchase $80,000 of its outstanding 2023 Notes, at a redemption price equal to 98%, which expired on June 28, 2016. The holders who tendered their 2023 Notes prior to June 14, received a redemption price equal to 101%. As a consequence of this transaction, the Company redeemed 16.90% of the outstanding principal. The total payment was $80,800 (including $800 of early tender payment) plus accrued and unpaid interest.

The results related to the cash tender offer and the accelerated amortization of the related DFC were recognized as interest expense within the consolidated statement of income.

Furthermore, on March 16, 2017, the Company launched a second cash tender offer to purchase $80,000 of its outstanding 2023 Notes, at a redemption price equal to 104%, which expired on April 12, 2017. The holders who tendered their 2023 Notes prior to March 29, 2017, received a redemption price equal to 107%. As a consequence of this transaction, the Company redeemed 11.6% of the outstanding principal. The total payment was $48,885 (including $3,187 of early tender payment) plus accrued and unpaid interest. The results related to the second cash tender offer and the accelerated amortization of the related DFC were recognized as interest expense within the consolidated statement of income.

On September 15, 2020 the Company launched an offer to exchange any and all of 2023 Notes for an additional issuance of 2027 Notes that expired on October 13, 2020 (the "expiration date"). The purpose of the exchange offer was to extend the maturity profile of the Company's long-term debt. The settlement date was on October 15, 2020. Eligible holders who validly tendered their 2023 Notes for exchange prior to September 28, 2020 (the "early participation date"), received $1,055 (expressed as whole number) of 2027 Notes per $1,000 (expressed as whole number) of 2023 Notes at the settlement date. Eligible holders who validly tendered their 2023 Notes for exchange after the early participation date, but on or prior to the expiration date received $1,005 (expressed as whole number) of 2027 Notes per $1,000 (expressed as whole number) of 2023 Notes at the settlement date. In addition, any fractional portion of the 2027 Notes less than $1,000 (expressed as whole number) and accrued and unpaid interest were paid in cash.

As of September 28, 2020, the early participation date, the Company accepted to exchange $126,801 of 2023 Notes, representing 36.43% of the outstanding principal amount of the 2023 Notes. In addition, on October 13, 2020, the Company accepted to exchange $4,675, representing 1.34% of the outstanding principal amount of 2023 Notes. On October 15, 2020, the Company issued $133,668 of 2027 Notes, paid $107.1 for fractional portion and $180.1 for accrued and unpaid interest related to the early participation and $4,686 of 2027 Notes, paid $12.4 for fractional portion and $7.1 for unpaid interest related to the exchange after the early participation date.

From June 2021 to November 2021, the Company repurchased, through open market repurchases, $14,830 of the outstanding principal amount of 2023 Notes at a price equal to 109.45% (equivalent to $16,231) plus accrued and unpaid interests. All repurchased notes were cancelled by November 8, 2021.

On April 2017, the Company issued senior notes for an aggregate principal amount of $265 million, which are due in 2027 (the "2027 Notes"). The proceeds from this issuance of the 2027 Notes were used to repay the Secured Loan Agreement, unwind the related derivative instruments, pay the principal and premium on the 2023 Notes (in connection with the aforementioned second tender offer) and for general purposes. In addition, on September 11, 2020, the Company issued additional 2027 Notes for an aggregate principal amount of $150 million at a price of 102.250%. The proceeds from the second issuance were used mainly to repay short-term indebtedness. Periodic payments of principal are not required, and interest is paid semi-annually commencing on October 4, 2017. The Company incurred $3,001 of financing costs related to the first issuance of 2027 Notes and $2,000 related to the second issuance, which were capitalized as DFC and are being amortized over the life of the notes.

From June 2021 to September 2021, the Company repurchased, through open market repurchases, and cancelled $17,368 of the outstanding principal amount of 2027 Notes at a price equal to 105.74% (equivalent to $18,364) plus accrued and unpaid interest.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

12. Long-term debt (continued)

2027 and 2023 Notes (continued)

The Notes are redeemable, in whole or in part, at the option of the Company at any time at the applicable redemption price set forth in the indenture governing them. The Notes are fully and unconditionally guaranteed on a senior unsecured basis by certain of the Company's subsidiaries. The Notes and guarantees (i) are senior unsecured obligations and rank equal in right of payment with all of the Company's and guarantors' existing and future senior unsecured indebtedness; (ii) will be effectively junior to all of the Company's and guarantors' existing and future secured indebtedness to the extent of the value of the Company's assets securing that indebtedness; and (iii) are structurally subordinated to all obligations of the Company's subsidiaries that are not guarantors.

The indenture governing the Notes limits the Company's and its subsidiaries' ability to, among other things, (i) create certain liens; (ii) enter into sale and lease-back transactions; and (iii) consolidate, merge or transfer assets. In addition, the indenture governing the 2027 Notes, limits the Company's and its subsidiaries' ability to: incur in additional indebtedness and make certain restricted payments, including dividends. These covenants are subject to important qualifications and exceptions. The indenture governing the Notes also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, and interest on all of the then-outstanding Notes to be due and payable immediately.

The 2023 Notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

Other required disclosure

At December 31, 2021, future payments related to the Company's long-term debt are as follows:

	Principal	Interest	Total
2022	$ 4,739	$ 45,767	$ 50,506
2023	204,596	45,449	250,045
2024	2,436	31,869	34,305
2025	663	31,763	32,426
2026	113	31,750	31,863
Thereafter	538,850	17,068	555,918
Total payments	**751,397**	**203,666**	**955,063**
Interest	—	(203,666)	(203,666)
Discount on 2023 Notes	(687)	—	(687)
Discount on 2027 Notes	(5,960)	—	(5,960)
Premium on 2023 Notes	254	—	254
Premium on 2027 Notes	2,613	—	2,613
Deferred financing cost	(3,659)	—	(3,659)
Long-term debt	**$ 743,958**	**$ —**	**$ 743,958**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments

The following table presents the fair values of derivative instruments included in the consolidated balance sheets as of December 31, 2021 and 2020:

		Assets			Liabilities		
Type of Derivative	Balance Sheets Location	2021	2020	Balance Sheets Location	2021	2020
Derivatives designated as hedging instruments						
Cash Flow hedge						
Forward contracts	Other receivables	$ 660	$ —	Accrued payroll and other liabilities	$ (51)	$ (1,264)
Cross-currency interest rate swap	Derivative instruments	107,386	86,534	Derivative instruments	(2,898)	(6,194)
Call spread	Derivative instruments	—	21,858	Derivative instruments	—	—
Coupon-only swap	Derivative instruments	—	3,591	Derivative instruments	—	—
Subtotal		**108,046**	**111,983**		**(2,949)**	**(7,458)**
Derivatives not designated as hedging instruments						
Call spread	Derivative instruments	4,791	3,798	Derivative instruments	—	—
Coupon-only swap	Derivative instruments	—	202	Derivative instruments	(7,555)	(5,017)
Call Spread + Coupon-only swap	Derivative instruments	8,194	6,620	Derivative instruments	(12,473)	(8,050)
Subtotal		**12,985**	**10,620**		**(20,028)**	**(13,067)**
Total derivative instruments		**$ 121,031**	**$ 122,603**		**$ (22,977)**	**$ (20,525)**

Derivatives designated as hedging instruments

Cash flow hedge

Forward contracts

The Company has entered into various forward contracts in a few territories to hedge a portion of the foreign exchange risk associated with forecasted imports of goods. The effect of the hedges results in fixing the cost of goods acquired (i.e. the net settlement or collection adjusts the cost of inventory paid to the suppliers). As of December 31, 2021, the Company had forward contracts outstanding with a notional amount of $22,128 that mature during 2022.

The Company made net (payments) collections totaling $(507), $1,757 and $711 during fiscal years 2021, 2020 and 2019, respectively, as a result of the net settlements of these derivatives.

Cross-currency interest rate swap

The Company entered into four cross-currency interest rate swap agreements to hedge all the variability of the principal and interest collections of its BRL intercompany loan receivables. The agreements were signed during November 2013 (amended in February 2017), June and July 2017 and October 2020. The following table presents information related to the terms of the agreements:

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Cash flow hedge (continued)

Cross-currency interest rate swap (continued)

	Payable			Receivable				
Bank	**Currency**	**Amount**	**Interest rate**	**Currency**	**Amount**	**Interest rate**	**Interest payment dates**	**Maturity**
JP Morgan Chase Bank, N.A.	BRL	108,000	13 %	$	35,390	4.38 %	March 31/ September 30	September 2023
JP Morgan Chase Bank, N.A.	BRL	98,670	13 %	$	30,000	6.02 %	March 31/ September 30	September 2023
Citibank N.A.	BRL	94,200	13 %	$	30,000	6.29 %	March 31/ September 30	September 2023
Citibank N.A.	BRL	112,738	13 %	$	20,049	8.08 %	March 31/ September 30	September 2023

During April 2017, the Company's Brazilian subsidiary entered into similar agreements in order to hedge all the variability in a portion (50%) of the principal and interest payable of certain intercompany loan payables nominated in US dollar.

The following table presents information related to the terms of the agreements:

	Payable			Receivable				
Bank	**Currency**	**Amount**	**Interest rate**	**Currency**	**Amount**	**Interest rate**	**Interest payment dates**	**Maturity**
BAML (i)	BRL	156,250	13.64 %	$	50,000	6.91 %	March 31/ September 30	April 2027
Banco Santander S.A.	BRL	155,500	13.77 %	$	50,000	6.91 %	June 30/ December 31	September 2023

(i) Bank of America Merrill Lynch Banco Múltiplo S.A.

The Company paid $4,132, $4,031 and $8,692 of net interest during the fiscal years ended December 31, 2021, 2020 and 2019, respectively.

Call spread

During April 2017, the Company's Brazilian subsidiary entered into two call spread agreements in order to hedge all the variability in a portion (50%) of the principal of certain intercompany loan payables nominated in US dollar. Call spread agreements consist of a combination of two call options: the Company bought an option to buy US dollar at a strike price equal to the BRL exchange rate at the date of the agreements, and wrote an option to buy US dollar at a higher strike price than the previous one. Both pair of options have the same notional amount and are based on the same underlying with the same maturity date.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Cash flow hedge (continued)

Call spread (continued)

The following table presents information related to the terms of the agreements:

	Nominal Amount		Strike price		
Bank	Currency	Amount	Call option written	Call option bought	Maturity
Citibank S.A.	$	50,000	4.49	3.11	September 2023
JP Morgan S.A.	$	50,000	5.20	3.13	April 2027

In May 2021, the Company unwound these agreements before their maturity and collected $18.8 million (BRL99.7 million). Although the hedge relationships were discontinued, the Company expects to maintain the underlying loans until maturity. As a consequence, the amounts recorded in accumulated other comprehensive loss until May 2021 will be amortized to earnings as the originally hedged cash flows affected earnings.

Coupon-only swap

During April 2017, the Company's Brazilian subsidiary entered into two coupon-only swap agreements in order to hedge all the variability in a portion (50%) in the interest payable related to the intercompany loan aforementioned.

The following table presents information related to the terms of the agreements:

	Payable			Receivable				
Bank	Currency	Amount	Interest rate	Currency	Amount	Interest rate	Interest payment dates	M
Citibank S.A.	BRL	155,500	11.08 %	$	50,000	6.91 %	June 30/ December 31	Sep 2023
JP Morgan S.A.	BRL	156,250	11.18 %	$	50,000	6.91 %	March 31/ September 30	Apı

In May 2021, the Company unwound these agreements before their maturity and collected $4.4 million (BRL23.5 million). Although the hedge relationships were discontinued, the Company expects to maintain the underlying loans until maturity. As a consequence, the amounts recorded in accumulated other comprehensive loss until May 2021 will be amortized to earnings as the originally hedged cash flows affected earnings.

The Company made net collections of $170 of net interest during 2021 until the agreements were unwound, and payments amounting to $(197) and $(2,036) of net interest during the fiscal years ended December 31, 2020, and 2019, respectively, related to these agreements.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)
Cash flow hedge (continued)

Additional disclosures

The following table present the pretax amounts affecting income and other comprehensive income for the fiscal years ended December 31, 2021, 2020 and 2019 for each type of derivative relationship:

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI on Derivative			(Gain) Loss Reclassified from Accumulated OCI into income (loss)(i)		
	2021	2020	2019	2021	2020	2019
Forward contracts	$ 1,366	$ 904	$ (10)	$ 507	$ (1,895)	$ (711)
Cross-currency interest rate swaps	23,802	55,124	(8,506)	(8,564)	(37,376)	2,056
Call Spread (ii)	(2,593)	6,758	4,377	1,915	(18,153)	(3,561)
Coupon-only swap (ii)	1,093	8,604	(1,889)	(797)	(421)	1,860
Total	**$ 23,668**	**$ 71,390**	**$ (6,028)**	**$ (6,939)**	**$ (57,845)**	**$ (356)**

(i) The results recognized in income related to forward contracts were recorded as an adjustment to food and paper.
(ii) Agreements unwound in May 2021.

The net gain (loss) recognized in income, related to cross-currency interest rate swaps is presented as follows:

Adjustment to:	2021	2020	2019
Foreign currency exchange results	$ 12,392	40,353	6,346
Net interest expense	(3,828)	(2,977)	(8,402)
Total	**$ 8,564**	**37,376**	**(2,056)**

The results recognized in income related to call spread agreements and coupon-only swap agreements were recorded as an adjustment to foreign currency exchange and interest expense, respectively.

Derivatives not designated as hedging instruments

In October 2020, the Company's Brazilian subsidiary entered into certain derivatives that are not designated as hedge accounting, therefore the changes in the fair value of these derivatives are recognized immediately in earnings, within "(Loss) Gain from derivative instruments". These agreements are:

- A call spread with JPMorgan, consisting of a combination of two call options. This agreement matures in April 2027.

The following table presents information related to the terms of the agreements:

Nominal Amount		Strike price	
Currency	Amount	Call option written	Call option bought
$	30,000	8.20	5.62

Amounts in thousands of US dollars, except for share data and as otherwise indicated

13. Derivative instruments (continued)

Derivatives not designated as hedging instruments (continued)

– A coupon-only swap with JP Morgan that matures in April 2027.

The following table presents information related to the terms of the agreements:

Payable			Receivable			
Currency	Amount	Interest rate (i)	Currency	Amount	Interest rate	Interest payment dates
BRL	168,690	CDI plus 2.42%	$	30,000	5.46 %	April 30/ October 31

(i) "CDI" Certificados de Depósitos Interbancários

The Company made net payments of $33 during fiscal year ended December 31, 2021, related to this agreement.

– A combination of call spread + coupon only swap into one agreement with Itaú Unibanco S.A, that matures in April 2027.
The following tables present information related to the terms of the agreements:

Nominal Amount		Strike price	
Currency	Amount	Call option written	Call option bought
$	50,000	8.20	5.62

Payable			Receivable			
Currency	Amount	Interest rate (i)	Currency	Amount	Interest rate	Interest payment dates
BRL	281,150	CDI plus 2.47%	$	50,000	5.46%	April 30/ October 31

(i) "CDI" Certificados de Depósitos Interbancários

The Company made net payments of $94 during fiscal year ended December 31, 2021, related to this agreement.

In addition, during the fiscal years ended December 31, 2020 and 2019, the Company entered into certain forward contracts that generated net (payments) and collections of ($39) and $787, respectively.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

14. Leases

The Company leases locations through ground leases (the Company leases the land and owns the building) and through improved leases (the Company leases land and buildings). The operating leases are mainly related to restaurant and dessert center locations. The average of lease's terms is about 15 years and, in many cases, include renewal options provided by the agreement or government's regulations, as there are reasonably certain to be exercised. Typically, renewal options are considered reasonably assured of being exercised if the associated asset lives of the building or leasehold improvements exceed the initial lease term, and the sales performance of the restaurant remains strong. Therefore, its associated payments are included in the measurement of the right-of-use asset and lease liability. Although, certain leases contain purchase options, is not reasonably certain that the Company will exercise them. In addition, many agreements include escalations amounts that vary by reporting unit, for example, including fixed-rent escalations, escalations based on an inflation index, and fair value adjustments. According to rental terms, the Company pays monthly rent based on the greater of a fixed rent or a certain percentage of the Company's gross sales. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Furthermore, the Company is the lessee under non-cancelable leases covering certain offices and warehouses.

The right-of-use assets and lease liabilities are recognized using the present value of the remaining future minimum lease payments discounted by the Company's incremental borrowing rate. The Company has elected not to separate non-lease components from lease components in its lessee portfolio. For most locations, the Company is obliged for the related occupancy costs, such as maintenance.

In addition, in March 2010, the Company entered into an aircraft operating lease agreement for a term of 8 years, which provides for quarterly payments of $690. The agreement includes a purchase option at the end of the lease term at fair market value and also an early purchase option at a fixed amount of $26,685 at maturity of the 24th quarterly payment. On December 22, 2017, the Company signed an amendment, extending the term of the aircraft operating lease for an additional 10 years, with quarterly payments (retroactively effective as of December 5, 2017) of $442. The Company was required to make a cash collateral deposit of $2,500 under this agreement.

In order to mitigate the negative impact of COVID-19 on its financial results, the Company has been renegotiating terms and conditions with several lessors. The Company decided not to evaluate whether the potential concessions provided by the lessors are lease modifications under ASU No. 2016-02, Leases (Topic 842) according to the interpretive guidance issued by the FASB staff in April 2020.

At December 31, 2021, maturities of lease liabilities under existing operating leases are:

	Restaurant	Other	Total (i)
2022	$ 118,356	$ 5,564	$ 123,920
2023	113,202	4,469	117,671
2024	109,726	3,820	113,546
2025	106,067	3,381	109,448
2026	101,730	3,055	104,785
Thereafter	781,260	5,598	786,858
Total lease payments	**$ 1,330,341**	**$ 25,887**	**$ 1,356,228**
Lease discount			(569,989)
Operating lease liability			**$ 786,239**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

14. Leases (continued)

(i) The Company has certain leases subject to index adjustments. As part of the adoption of ASC 842, the Company used the effective index rate at transition date in its disclosure and calculation of the lease liability. However, for leases entered into after January 1, 2019, the inflation index rate will be used to calculate the lease liability only when a lease modification occurs.

The Company maintains a few finance leases agreements, previously classified as capital leases. As of December 31, 2021 and 2020 the obligation amounts to $6,139 and $5,941 respectively, included within "Long-term debt" in the Consolidated Balance Sheet.

The following table is a summary of the Company´s components of lease cost for fiscal years 2021, 2020 and 2019:

Lease Expense	Statements of Income Location	2021	2020	2019
Operating lease expense - Minimum rentals:				
Company-operated restaurants	Occupancy and other operating expenses	$ (94,254)	$ (69,151)	$ (104,236)
Franchised restaurants	Franchised restaurants - occupancy expenses	(29,969)	(23,510)	(34,727)
General and administrative	General and administrative expenses	(6,590)	(7,062)	(7,614)
Subtotal		**(130,813)**	**(99,723)**	**(146,577)**
Variable lease expense - Contingent rentals based on sales:				
Company-operated restaurants	Occupancy and other operating expenses	(27,262)	(26,153)	(29,562)
Franchised restaurants	Franchised restaurants - occupancy expenses	(9,505)	(13,248)	(12,878)
Subtotal		**(36,767)**	**(39,401)**	**(42,440)**
Total lease expense		**$ (167,580)**	**$ (139,124)**	**$ (189,017)**

Other information	2021	
Weighted-average remaining lease term (years)		
Operating leases	8	
Weighted-average discount rate		
Operating leases	6.5	%

15. Franchise arrangements

Individual franchise arrangements generally include a lease, a license and provide for payment of initial franchise fees, as well as continuing rent and service fees (royalties) to the Company based upon a percentage of sales with minimum rent payments. The company's franchisees are granted the right to operate a restaurant using the McDonald's system and, in most cases, the use of a restaurant facility, generally for a period of 20 years. At the end of the 20-year franchise arrangement, the Company maintains control of the underlying real estate and building and can either enter into a new franchise arrangement with the existing franchisee or a different franchisee or close the restaurant. Franchisees pay related occupancy costs including property taxes, insurance and maintenance. Pursuant to the MFAs, the Company pays initial fees and continuing service fees for franchised restaurants to McDonald's Corporation. Therefore, the margin for franchised restaurants is primarily comprised of rental income net of occupancy expenses (depreciation for owned property and equipment and/or rental expense for leased properties).

Amounts in thousands of US dollars, except for share data and as otherwise indicated

15. Franchise arrangements (continued)

At December 31, 2021 and 2020, net property and equipment under franchise arrangements totaled $88,568 and $92,354, respectively (including land for $22,784 and $24,661, respectively).

Revenues from franchised restaurants for fiscal years 2021, 2020 and 2019 consisted of:

	2021	2020	2019
$	115,418	89,123	145,860
s (ii)	321	203	287
fees (iii)	295	275	643
$	**116,034**	**89,601**	**146,790**

(i) Includes rental income of own buildings and subleases. As of December 31, 2021 and 2020 the subleases rental income amounted to $96,756 and $74,723, respectively.
(ii) Presented net of initial fees owed to McDonald's Corporation for $739, $493 and $1,456 in 2021, 2020 and 2019, respectively.
(iii) Presented net of royalties fees owed to McDonald's Corporation for $46,476, $36,554 and $57,709 in 2021, 2020 and 2019, respectively. As a consequence of the negative impacts of the spread of COVID-19 in the operations, McDonald's granted a deferral of all the royalties payments due to sales in March, April, May, June and July 2020, settled during the first half of 2021.

At December 31, 2021, future minimum rent payments due to the Company under existing franchised agreements are:

	Owned sites	Leased sites	Total
2022	$ 4,916	$ 49,991	$ 54,907
2023	4,568	42,581	47,149
2024	4,501	37,631	42,132
2025	4,514	34,201	38,715
2026	4,553	29,731	34,284
Thereafter	37,524	127,471	164,995
Total	**$ 60,576**	**$ 321,606**	**$ 382,182**

16. Income taxes

The Company's operations are conducted by its foreign subsidiaries in Latin America and the Caribbean. The foreign subsidiaries are incorporated under the laws of their respective countries and as such the Company is taxed in such foreign countries.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

16. Income taxes (continued)

Statutory tax rates in the countries in which the Company operates for fiscal years 2021, 2020 and 2019 were as follows:

	2021	2020	2019
ico	18.5%	18.5%	18.5%
	22.0%	22.0%	22.0%
	22.5%	22.5%	22.5%
cuador, Panama, Uruguay and Netherlands	25.0%	25.0%	25.0%
	27.0%	27.0%	27.0%
ue, French Guyana and Guadeloupe	22.5%	28.0%	31.0%
	29.5%	29.5%	29.5%
and Tobago	30.0%	30.0%	25.0%
ca and Mexico	30.0%	30.0%	30.0%
a	31.0%	32.0%	33.0%
l Venezuela	34.0%	34.0%	34.0%
a	35.0%	30.0%	30.0%

Income tax expense for fiscal years 2021, 2020 and 2019 consisted of the following:

	2021	2020	2019
Current income tax expense	$ 47,999	$ 17,061	$ 46,811
Deferred income tax (income) expense	(16,066)	471	(7,974)
Income tax expense	**$ 31,933**	**$ 17,532**	**$ 38,837**

Income tax expense for fiscal years 2021, 2020 and 2019, differed from the amounts computed by applying the Company's weighted-average statutory income tax rate to pre-tax income (loss) as a result of the following:

	2021	2020	2019
Pre-tax income (loss)	$ 77,786	$ (131,854)	$ 118,953
Weighted-average statutory income tax rate (i)	41.4 %	22.9 %	36.6 %
Income tax expense (benefit) at weighted-average statutory tax rate on pre-tax income (loss)	32,230	(30,226)	43,488
Permanent differences:			
Change in valuation allowance (ii)	(26,865)	2,958	(24,864)
Expiration and changes in tax loss carryforwards	144	13,820	17,799
Venezuelan remeasurement and inflationary impacts (iii)	577	1,682	1,743
Non-taxable income and non-deductible expenses	19,655	19,565	7,545
Tax benefits	(152)	(1,701)	(9,667)
Income taxes withholdings on intercompany transactions (iv)	6,572	6,515	5,005
Differences including exchange rate, inflation adjustment and filing differences	(6,985)	(789)	(5,291)
Alternative Taxes	1,461	2,054	658
Others (v)	5,296	3,654	2,421
Income tax expense	**$ 31,933**	**$ 17,532**	**$ 38,837**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

16. Income taxes (continued)

(i) Weighted-average statutory income tax rate is calculated based on the aggregated amount of the income before taxes by country multiplied by the prevailing statutory income tax rate, divided by the consolidated income before taxes.
(ii) Comprises net changes in valuation allowances for the year, mainly related to net operating losses.
(iii) Comprises changes in valuation allowance during 2021, 2020 and 2019 for $9,723, $43,249 and $983, respectively.
(iv) Comprises income tax withheld on the payment of interest on intercompany loans.
(v) Mainly comprises income tax effects over intercompany transactions which are eliminated for consolidation purposes.

The tax effects of temporary differences and carryforwards that comprise significant portions of deferred tax assets and liabilities as of December 31, 2021 and 2020 are presented below:

	2021	2020
Tax loss carryforwards (i)	$ 140,106	$ 186,781
Purchase price allocation adjustment	11,305	12,247
Property and equipment, tax inflation	39,691	38,205
Tax Inflation adjustment	(6,671)	(7,125)
Other accrued payroll and other liabilities	25,340	29,622
Share-based compensation	1,623	1,719
Provision for contingencies, bad debts and obsolescence	9,557	4,621
Other deferred tax assets (ii)	91,974	75,121
Other deferred tax liabilities (iii)	(55,253)	(47,593)
Property and equipment - difference in depreciation rates	(10,801)	(7,902)
Valuation allowance (iv)	(186,239)	(235,196)
Net deferred tax asset	**$ 60,632**	**$ 50,500**

(i) As of December 31, 2021, the Company and its subsidiaries have accumulated net operating losses amounting to $495,782. The Company has net operating losses amounting to $164,301, expiring between 2022 and 2026. In addition, the Company has net operating losses amounting to $88,005 expiring after 2026 and net operating losses amounting to $243,476 that do not expire. Changes in tax loss carryforwards for the year relate to uses of NOLs.
(ii) Other deferred tax assets reflect the net tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes (accounting base) and the amounts used for income tax purposes (tax base). For the fiscal year ended December 31, 2021, this item includes: difference in depreciation of leases (related to differences between ASC842 and local tax regulation) for $63,526 in Brazil and provision for regular expenses for $13,055 in Brazil, Colombia, Mexico and Panama. For the fiscal year ended December 31, 2020 this item includes: difference in depreciation of leases (related to differences between ASC842 and local tax regulation) for $51,772 in Brazil and provision for regular expenses for $10,098, in Brazil, Colombia and Argentina.
(iii) Primarily related to leases contracts (related to differences between ASC842 and local tax regulation).
(iv) In assessing the realization of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

The total amount of $60,632 for the year ended December 31, 2021, is presented in the consolidated balance sheet as non-current asset and non-current liability amounting to $67,802 and $7,170, respectively.

16. Income taxes (continued)

The total amount of $50,500 for the year ended December 31, 2020, is presented in the consolidated balance sheet as non-current asset and non-current liability amounting to $55,567 and $5,067, respectively.

Deferred income taxes have not been recorded for temporary differences related to investments in certain foreign subsidiaries. These temporary differences, comprise undistributed earnings considered permanently invested in subsidiaries amounted to $210,825 at December 31, 2021. Determination of the deferred income tax liability on these unremitted earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

As of December 31, 2021, and 2020, the Company has not identified unrecognized tax benefits that would favorably affect the effective tax rate if resolved in the Company's favor.

The Company account for uncertain tax positions by determining the minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. This determination requires the use of significant judgment in evaluating the tax positions and assessing the timing and amounts of deductible and taxable items. The Company is regularly under audit in multiple tax jurisdictions and is currently under examination in several jurisdictions. The Company is generally no longer subject to income tax examinations by tax authorities for years prior to 2015.

As of December 31, 2021, there are certain matters related to the interpretation of income tax laws which could be challenged by tax authorities in an amount of $177 million, related to assessments for the fiscal years 2009 to 2016. No formal claim has been made for fiscal years within the statute of limitation by Tax authorities in any of the mentioned matters, however those years are still subject to audit and claims may be asserted in the future.

It is reasonably possible that, as a result of audit progression within the next 12 months, there may be new information that causes the Company to reassess the tax positions because the outcome of tax audits cannot be predicted with certainty. While the Company cannot estimate the impact that new information may have on their unrecognized tax benefit balance, it believes that the liabilities recorded are appropriate and adequate as determined under ASC 740.

17. Share-based compensation

2011 Equity Incentive Plan

In March 2011, the Company adopted its Equity Incentive Plan, or 2011 Plan, to attract and retain the most highly qualified and capable professionals and to promote the success of its business. This Plan is being used to reward certain employees for the success of the Company's business through an annual award program. The 2011 Plan permits grants of awards relating to class A shares, including awards in the form of shares (also referred to as stock), options, restricted shares, restricted share units, share appreciation rights, performance awards and other share-based awards as will be determined by the Company's Board of Directors. The maximum number of shares that may be issued under the 2011 Plan is 2.5% of the Company's total outstanding class A and class B shares immediately following its initial public offering 2011.

The Company made recurring grants of stock options in each of the fiscal years from 2011 to 2014. These grants vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries. Each stock option granted represents the right to acquire a Class A share at its grant-date fair market value. The exercise right for the stock options is cumulative and, once such right becomes exercisable, it may be exercised in whole or in part during quarterly window periods until the date of termination, which occurs at the seventh anniversary of the grant date. As of December 31, 2021, all stock options previously granted were expired. The Company utilizes a Black-Scholes option-pricing model to estimate the value of stock options at the grant date.

The Company made recurring grants of restricted share units in each of the fiscal years from 2011 to 2019. Each restricted share unit represents the right to receive a Class A share when vested. From 2011 to 2018, these recurring annual awards vest as follows: 40% on the second anniversary of the date of grant and 20% on each of the following three anniversaries. The 2019 award vested on May 10, 2020. However, in the event of death, disability or retirement of the employee, any unvested portion of the annual award will be fully vested. The value of restricted shares units is based on the quoted market price of the Company's class A shares at the grant date.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

17. Share-based compensation (continued)

2011 Equity Incentive Plan (continued)

The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. The Company recognized stock-based compensation expense related to this award in the amount of $327, $1,564 and $1,884 during fiscal years 2021, 2020 and 2019, respectively. Stock-based compensation expense is included within "General and administrative expenses" in the consolidated statements of income.

Restricted Share Units

The following table summarizes the activity of restricted share units during fiscal years 2021, 2020 and 2019:

	Units	Weighted-average grant-date fair value
Outstanding at December 31, 2018	**1,605,049**	**7.41**
2019 annual grant	35,000	8.00
Partial vesting of 2014 grant	(38,222)	8.58
Partial vesting of 2015 grant	(115,634)	6.33
Partial vesting of 2016 grant	(134,501)	4.70
Partial vesting of 2017 grant	(174,232)	9.20
Forfeitures	(239,621)	7.74
Outstanding at December 31, 2019	**937,839**	**7.50**
Partial vesting of 2015 grants	(101,928)	6.33
Partial vesting of 2016 grants	(114,045)	4.70
Partial vesting of 2017 grants	(67,606)	9.20
Partial vesting of 2018 grants	(163,695)	8.50
Vesting of 2019 grant	(35,000)	8.00
Forfeitures	(4,367)	7.75
Outstanding at December 31, 2020	**451,198**	**7.80**
Partial vesting of 2016 grants	(110,213)	4.70
Partial vesting of 2017 grants	(62,742)	9.20
Partial vesting of 2018 grants	(79,673)	8.50
Forfeitures	(11,774)	8.69
Outstanding at December 31, 2021	**186,796**	**8.70**
Exercisable at December 31, 2021	—	—

The total fair value of restricted share units vested during 2021, 2020 and 2019 was $1,773, $3,475 and $3,295, respectively. As of December 31, 2021 the Company issued 251,623 Class A shares. Therefore, accumulated recorded compensation expense totaling $1,766 was reclassified from "Additional paid-in capital" to "Common Stock" upon issuance. As of December 31, 2021, there were 17,242 Class A shares, amounting to $120 pending of issuance in connection with previous partial vesting.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

17. Share-based compensation (continued)

2011 Equity Incentive Plan (continued)

Restricted Share Units (continued)

The following table provides a summary of outstanding restricted share units at December 31, 2021:

Number of units outstanding (i)	186,796	
Weighted-average grant-date fair market value per unit	8.70	
Total grant-date fair value	1,625	
Weighted-average accumulated percentage of service	85.29	%
Stock-based compensation recognized in Additional paid-in capital	1,386	
Compensation expense not yet recognized (ii)	239	

(i) Related to awards that will vest between fiscal years 2022 and 2023.
(ii) Expected to be recognized in a weighted-average period of 0.3 years.

Phantom RSU Award

In May 2019, the Company implemented a new long-term incentive plan (called Phantom RSU Award) to reward employees giving them the opportunity to share the success of the Company in the creation of value for its shareholders. In accordance with this plan, the Company granted units (called "Phantom RSU") to certain employees, pursuant to which they are entitled to receive, when vested, a cash payment equal to the closing price of one Class A share on the respective day in which this benefit is due and the corresponding dividends per-share (if any) formally declared and paid during the service period. However, in the event of death, disability or retirement of the employee, any unvested portion of the annual award will be fully vested.

During 2019, the Company granted awards with different vesting periods: 465,202 units which vest over a requisite service period of five years as follows: 40% at the second anniversary of the date of grant and 20% at each of the following three years and 1,207,455 units which vest 100% at the fifth anniversary from the date of grant.

During 2020, the Company granted 65,440 units that vested 100% at May 2021.

During 2021, the Company granted awards with different vesting periods: 874,294 units which vest 100% at the third anniversary from the grant date; and 44,093 units which vest 100% at April 2022.

The Company recognizes compensation expense related to these benefits on a straight-line basis over the requisite service period. As a consequence, when the award includes multiple vesting periods, it is considered as multiple awards.

The total compensation expense as of December 31, 2021, 2020 and 2019, amounts to $3,452, $1,232 and $2,102 respectively, which has been recorded under "General and administrative expenses" within the consolidated statement of income. The accrued liability is remeasured at the end of each reporting period until settlement.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

17. Share-based compensation (continued)

Phantom RSU Award (continued)

The following table summarizes the activity under the plan as of December 31, 2021:

	Units
Grant 2019	1,672,657
Forfeitures	(10,837)
Outstanding at December 31, 2019	**1,661,820**
Grant 2020	65,440
Partial vesting and settlement of 2019 Grant (i)	(5,162)
Forfeitures	(31,614)
Outstanding at December 31, 2020	**1,690,484**
Grant 2021	918,387
Partial vesting and settlement of 2019 Grant (ii)	(173,916)
Vesting of 2020 grant (iii)	(65,440)
Forfeitures	(329,027)
Outstanding at December 31, 2021	**2,040,488**

(i) Amounting to $18
(ii) Amounting to $1,104
(iii) Amounting to $416

	Total Non-vested (i)
Number of units outstanding	2,040,488
Current share price	5.83
Total fair value of the plan	11,896
Weighted-average accumulated percentage of service	44.12 %
Accrued liability (ii)	5,248
Compensation expense not yet recognized (iii)	6,648

(i) Related to awards that will vest between April 2022 and May 2024.
(ii) Presented within "Accrued payroll and other liabilities" in the Company's current and non-current liabilities balance sheet.
(iii) Expected to be recognized in a weighted-average period of 2.31 years.

The Company recognized $75, $(244) and $(422) of related income tax benefit/(expense) for the share-based compensation plans during fiscal years 2021, 2020 and 2019, respectively.

18. Commitments and contingencies

Commitments

The MFAs require the Company and its MF subsidiaries, among other obligations:

(i) to agree with McDonald's Corporation on a restaurant opening plan and a reinvestment plan for each three-year period or such other commitment or period that McDonald's may approve; and pay an initial franchise fee for each new restaurant opened;
(ii) to pay monthly royalties commencing at a rate of approximately 5% of gross sales of the restaurants, during the first 10 years. This percentage increases to 6% and 7% for the subsequent two five-year periods of the agreement. Nevertheless, at times, McDonald's Corporation has supported Company´s investment plans by agreeing to provide an incentive (the "growth support"), which result or is expected to result in a lower royalty rate.
(iii) to commit to funding a specified Strategic Marketing Plan; that includes the expenditure of 5% of the Company´s gross sales on Advertising and Promotion activities.
(iv) to own (or lease) directly or indirectly, the fee simple interest in all real property on which any franchised restaurant is located; and
(v) to maintain a minimum fixed charge coverage ratio (as defined therein) at least equal to 1.50 as well as a maximum leverage ratio (as defined therein) of 4.25.

If the Company would not be in compliance with these commitments under the MFA, it could be in material breach. A breach of the MFA would give McDonald's Corporation certain rights, including the ability to acquire all or portions of the business.

As a consequence of the negative impacts of the spread of COVID-19 on the Company's operations, during 2020, McDonald's Corporation granted the Company a deferral of all the royalty payments due related to sales from March to July 2020 (settled during the first half of 2021); a reduction in the advertising and promotion spending requirements from 5% to 4% for the annual period 2020 and the withdrawal of the previously agreed growth and investment plan. Due to the dynamic environment, in 2021 the Company agreed with McDonald's Corporation on a growth and investment plan for only one year and received a growth support that resulted in a consolidated effective royalty rate of 5.2% of sales of 2021.

On January 10, 2022, the Company reached an agreement with McDonald's Corporation on a new growth and investment plan for next years. McDonald's Corporation has agreed to continue providing the Company with growth support under certain terms and conditions.

To support its future growth, the Company plans to open at least 200 new restaurants and to modernize at least 400 restaurants, with capital expenditures of approximately $650 million from 2022 to 2024. In addition, McDonald's Corporation agreed to continue providing growth support which is expected to result in an effective royalty rate of about 5.6% of sales in 2022 and 6.0% of sales in 2023 and 2024.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

18. Commitments and contingencies (continued)

Commitments (continued)

For the period ended December 31, 2021, the Company was in compliance with the ratio requirements mentioned in point (v) above. However, during some periods of 2021 ratios were not in compliance. McDonald's Corporation granted the Company limited waivers from June 30, 2020 through and including December 31, 2021, during which time the Company was not required to comply with the financial ratios set forth in the MFA. The ratios for the periods mentioned, were as follows:

	Fixed Charge Coverage Ratio	Leverage Ratio
March 31, 2021	0.93	7.85
June 30, 2021	1.40	5.50
September 30, 2021	1.65	4.46
December 31, 2021	1.89	3.94

In addition, the Company maintains standby letters of credit in favor of McDonald's Corporation as collateral for the obligations assumed under the MFAs, for a total aggregate drawing amount of $80 million. These letters of credit can be drawn if certain events occur, including the failure to pay royalties. No amounts have been drawn at the date of issuance of these financial statements. The following table presents information related to the standby letters of credit:

Bank	Currency	Amount
Itaú	$	15,000
Credit Suisse (i)	$	45,000
JPMorgan (i)	$	20,000

(i) Maintained through its wholly-owned subsidiary ADBV.

These letters of credit contain a limited number of customary affirmative and negative covenants, including a maximum indebtedness to EBITDA ratio, as follows:

Bank	Ratio	Required Maximum Ratio	As of December 31, 2021
Itaú	Net indebtedness to EBITDA	4.5	1.35
Credit Suisse (i)	Indebtedness to EBITDA	4.0	1.42
JPMorgan (i)	Indebtedness to EBITDA	4.5	1.42

(i) Maintained through its wholly-owned subsidiary ADBV.

As of December 31, 2021 all the ratios were in compliance.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

18. Commitments and contingencies (continued)

Provision for contingencies

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. At December 31, 2021 and 2020, the Company maintains a provision for contingencies, net of judicial deposits, amounting to $34,086 and $26,948, respectively, presented as follow: $2,140 and $2,024 as a current liability and $31,946 and $24,924 as a non-current liability, respectively. The breakdown of the provision for contingencies is as follows:

Description	Balance at beginning of period	Accruals, net	Settlements	Reclassifications and increase of judicial deposits	Translation	Balance at end of period
Year ended December 31, 2021:						
Tax contingencies in Brazil (i)	$ 10,662	$ 7,472	$ —	$ (517)	$ (975)	$ 16,642
Labor contingencies in Brazil (ii)	14,514	11,319	(12,080)	522	(1,005)	13,270
Other (iii)	9,907	3,764	(1,708)	(136)	(1,061)	10,766
Subtotal	35,083	22,555	(13,788)	(131)	(3,041)	40,678
Judicial deposits (iv)	(8,135)	—	—	1,030	513	(6,592)
Provision for contingencies	**$ 26,948**	**$ 22,555**	**$ (13,788)**	**$ 899**	**$ (2,528)**	**$ 34,086**
Year ended December 31, 2020:						
Tax contingencies in Brazil (i)	$ 10,595	$ 2,040	$ —	$ 435	$ (2,408)	$ 10,662
Labor contingencies in Brazil (ii)	16,839	12,087	(10,499)	—	(3,913)	14,514
Other (iii)	11,404	1,203	(1,421)	—	(1,279)	9,907
Subtotal	38,838	15,330	(11,920)	435	(7,600)	35,083
Judicial deposits (iv)	(12,680)	—	—	1,626	2,919	(8,135)
Provision for contingencies	**$ 26,158**	**$ 15,330**	**$ (11,920)**	**$ 2,061**	**$ (4,681)**	**$ 26,948**
Year ended December 31, 2019:						
Tax contingencies in Brazil (i)	$ 9,497	$ 1,455	$ —	$ —	$ (357)	$ 10,595
Labor contingencies in Brazil (ii)	21,108	12,916	(16,068)	—	(1,117)	16,839
Other (iii)	11,462	3,070	(1,700)	—	(1,428)	11,404
Subtotal	42,067	17,441	(17,768)	—	(2,902)	38,838
Judicial deposits (iv)	(13,558)	—	—	354	524	(12,680)
Provision for contingencies	**$ 28,509**	**$ 17,441**	**$ (17,768)**	**$ 354**	**$ (2,378)**	**$ 26,158**

(i) In 2021, it includes mainly INSS and CIDE. In 2020 and 2019, it includes mainly CIDE.
(ii) It primarily relates to dismissals in the normal course of business.
(iii) It relates to tax and labor contingencies in other countries and civil contingencies in all the countries.
(iv) It primarily relates to judicial deposits the Company was required to make in connection with the proceedings in Brazil.

As of December 31, 2021, there are certain matters related to the interpretation of tax, labor and civil laws for which there is a possibility that a loss may have been incurred in accordance with ASC 450-20-50-4 within a range of $240 million and $271 million.

Pursuant to Section 9.3 of the Stock Purchase Agreement, McDonald's Corporation indemnifies the Company for certain Brazilian claim. At December 31, 2021, the provision for contingencies includes $1,188 ($1,259 at December 31, 2020), related to this claim. As a result, the Company has recorded a non-current asset in respect of McDonald's Corporation's indemnity within "Miscellaneous" in the consolidated balance sheet.

19. Disclosures about fair value of financial instruments

As defined in ASC 820 Fair Value Measurement and Disclosures, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The transaction is based on a hypothetical transaction in the principal or most advantageous market considered from the perspective of the market participant that holds the asset or owes the liability. The valuation techniques that can be used under this guidance are the market approach, income approach or cost approach. The market approach uses prices and other information for market transactions involving identical or comparable assets or liabilities, such as matrix pricing. The income approach uses valuation techniques to convert future amounts to a single discounted present amount based on current market conditions about those future amounts, such as present value techniques, option pricing models (e.g. Black-Scholes model) and binomial models (e.g. Monte-Carlo model). The cost approach is based on current replacement cost to replace an asset.

The Company utilizes market data or assumptions that market participants who are independent, knowledgeable and willing and able to transact would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observance of those inputs. The guidance establishes a formal fair value hierarchy based on the inputs used to measure fair value. The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements, and accordingly, level 1 measurement should be used whenever possible.

The three levels of the fair value hierarchy as defined by the guidance are as follows:

Level 1: Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment. Examples include exchange-traded derivatives and listed equities that are actively traded.

Level 2: Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Financial instruments that are valued using models or other valuation methodologies are included. Models used should primarily be industry-standard models that consider various assumptions and economic measures, such as interest rates, yield curves, time value, volatilities, contract terms, current market prices, credit risk or other market-corroborated inputs. Examples include most over-the-counter derivatives (non-exchange traded), physical commodities, most structured notes and municipal and corporate bonds.

Level 3: Valuations utilizing significant unobservable inputs provides the least objective evidence of fair value and requires a significant degree of judgment. Inputs may be used with internally developed methodologies and should reflect an entity's assumptions using the best information available about the assumptions that market participants would use in pricing an asset or liability. Examples include certain corporate loans, real-estate and private equity investments and long-dated or complex over-the-counter derivatives.

Depending on the particular asset or liability, input availability can vary depending on factors such as product type, longevity of a product in the market and other particular transaction conditions. In some cases, certain inputs used to measure fair value may be categorized into different levels of the fair value hierarchy. For disclosure purposes under this guidance, the lowest level that contains significant inputs used in valuation should be chosen. Pursuant to ASC 820-10-50, the Company has classified its assets and liabilities into these levels depending upon the data relied on to determine the fair values. The fair values of the Company's derivatives are valued based upon quotes obtained from counterparties to the agreements and are designated as Level 2.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

19. Disclosures about fair value of financial instruments (continued)

The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020:

	Quoted Prices in Active Markets For Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Balance as of December 31,	Balance as of December 31,
	2021	2020	2021	2020	2021	2020	2021	2020
Assets								
Cash equivalents	$ 198,811	$ 106,856	$ —	$ —	$ —	$ —	$ 198,811	$ 106,856
Derivatives	—	—	121,031	122,603	—	—	121,031	122,603
Total Assets	**$ 198,811**	**$ 106,856**	**$ 121,031**	**$ 122,603**	**$ —**	**$ —**	**$ 319,842**	**$ 229,459**
Liabilities								
Derivatives	$ —	—	22,977	$ 20,525	$ —	$ —	22,977	20,525
Total Liabilities	**$ —**	**$ —**	**$ 22,977**	**$ 20,525**	**$ —**	**$ —**	**$ 22,977**	**$ 20,525**

The derivative contracts were valued using various pricing models or discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves, option volatilities and currency rates that were observable for substantially the full term of the derivative contracts.

Certain financial assets and liabilities not measured at fair value

At December 31, 2021, the fair value of the Company's long-term debt was estimated at $774,821, compared to a carrying amount of $755,341. This fair value was estimated using various pricing models or discounted cash flow analysis that incorporated quoted market prices and is similar to Level 2 within the valuation hierarchy. The carrying amount for notes receivable approximates fair value.

Non-financial assets and liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment). At December 31, 2021, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities, except for those required in connection with the impairment of long-lived assets and goodwill. Refer to Note 3 for more details, including inputs and valuation techniques used to measure fair value of these non-financial assets.

20. Certain risks and concentrations

The Company's financial instruments that are exposed to concentration of credit risk primarily consist of cash and cash equivalents and accounts and notes receivable. Cash and cash equivalents are deposited with various creditworthy financial institutions, and therefore the Company believes it is not exposed to any significant credit risk related to cash and cash equivalents. Concentrations of credit risk with respect to accounts and notes receivable are generally limited due to the large number of franchisees comprising the Company's franchise base.

All the Company's operations are concentrated in Latin America and the Caribbean. As a result, the Company's financial condition and results of operations depend, to a significant extent, on macroeconomic and political conditions prevailing in the region. See Note 22 for additional information pertaining to the Company's Venezuelan operations. In addition, during 2020 the Company was affected by the spread of COVID-19 along the region. See Note 1 for additional information.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

21. Segment and geographic information

The Company is required to report information about operating segments in annual financial statements and interim financial reports issued to shareholders in accordance with ASC 280. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in deciding how to allocate resources and assess performance. ASC 280 also requires disclosures about the Company's products and services, geographic areas and major customers.

As discussed in Note 1, the Company through its wholly-owned and majority-owned subsidiaries operates and franchises McDonald's restaurants in the food service industry. The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting. The Company manages its business as distinct geographic segments. As of September 30, 2021, its operations were divided into four geographic divisions, which were as follows: (i) Brazil; (ii) the Caribbean division, consisting of Aruba, Curaçao, Colombia, French Guyana, Guadeloupe, Martinique, Puerto Rico, Trinidad and Tobago, the U.S. Virgin Islands of St. Croix and St. Thomas and Venezuela; (iii) the North Latin America division ("NOLAD"), consisting of Costa Rica, Mexico and Panama; and (iv) the South Latin America division ("SLAD"), consisting of Argentina, Chile, Ecuador, Peru and Uruguay. Effective October 1, 2021, the Company made certain changes in its internal management structure in order to gain operational agility. As a consequence, the Company reorganized its operation into three geographic divisions, as follows: (i) Brazil, (ii) the North Latin American division, or "NOLAD," which is now comprised of Costa Rica, Mexico, Panama, Puerto Rico, Martinique, Guadeloupe, French Guyana and the U.S. Virgin Islands of St. Croix and St. Thomas and (iii) the South Latin American division, or "SLAD," which is now comprised of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao. The accounting policies of the segments are the same as those described in Note 3.

The following table presents information about profit or loss and assets for each reportable segment:

	For the fiscal years ended December 31,		
	2021	2020	2019
Revenues:			
Brazil	$ 1,002,781	$ 862,748	$ 1,385,566
NOLAD	780,866	584,646	676,382
SLAD	876,294	536,825	897,129
Total revenues	**$ 2,659,941**	**$ 1,984,219**	**$ 2,959,077**
Adjusted EBITDA:			
Brazil	$ 175,603	$ 76,155	$ 227,844
NOLAD	85,323	41,496	64,059
SLAD	77,573	830	63,043
Total reportable segments	**338,499**	**118,481**	**354,946**
Corporate and others (i)	(66,741)	(50,370)	(63,171)
Total adjusted EBITDA	**$ 271,758**	**$ 68,111**	**$ 291,775**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

21. Segment and geographic information (continued)

	For the fiscal years ended December 31,		
	2021	**2020**	**2019**
Adjusted EBITDA reconciliation:			
Total Adjusted EBITDA	**$ 271,758**	**$ 68,111**	**$ 291,775**
(Less) Plus items excluded from computation that affect operating income (loss):			
Depreciation and amortization	(120,394)	(126,853)	(123,218)
Gains from sale, insurance recovery and contribution in equity method investment of property and equipment	4,876	4,210	5,175
Write-offs of property and equipment	(3,094)	(4,501)	(4,733)
Impairment of long-lived assets	(1,573)	(6,636)	(8,790)
Impairment of goodwill	—	(1,085)	(273)
Reorganization and optimization plan expenses	(12,054)	—	—
Operating income (loss)	**139,519**	**(66,754)**	**159,936**
(Less) Plus:			
Net interest expense	(49,546)	(59,068)	(52,079)
(Loss) gain from derivative instruments	(5,183)	(2,297)	439
Gain from securities	—	25,676	—
Foreign currency exchange results	(9,189)	(31,707)	12,754
Other non-operating income (expenses), net	2,185	2,296	(2,097)
Income tax expense	(31,933)	(17,532)	(38,837)
Net income attributable to non-controlling interests	(367)	(65)	(220)
Net income (loss) attributable to Arcos Dorados Holdings Inc.	**$ 45,486**	**$ (149,451)**	**$ 79,896**

	For the fiscal years ended December 31,		
	2021	**2020**	**2019**
Depreciation and amortization:			
Brazil	$ 54,883	$ 59,466	$ 63,467
NOLAD	34,810	35,812	31,192
SLAD	26,188	27,459	29,424
Total reportable segments	**115,881**	**122,737**	**124,083**
Corporate and others (i)	5,372	5,288	4,894
Purchase price allocation (ii)	(859)	(1,172)	(5,759)
Total depreciation and amortization	**$ 120,394**	**$ 126,853**	**$ 123,218**
Property and equipment expenditures:			
Brazil	$ 50,217	$ 39,127	$ 146,322
NOLAD	23,800	17,250	42,892
SLAD	40,640	29,934	75,984
Others	342	—	37
Total property and equipment expenditures	**$ 114,999**	**$ 86,311**	**$ 265,235**

Amounts in thousands of US dollars, except for share data and as otherwise indicated

21. Segment and geographic information (continued)

	As of December 31,	
	2021	**2020**
Total assets:		
Brazil	$ 1,083,700	$ 1,102,009
NOLAD	679,682	691,534
SLAD	566,208	513,966
Total reportable segments	**2,329,590**	**2,307,509**
Corporate and others (i)	134,020	95,802
Purchase price allocation (ii)	(102,353)	(109,357)
Total assets	**$ 2,361,257**	**$ 2,293,954**

(i) Primarily relates to corporate general and administrative expenses, corporate supply chain operations in Uruguay, and related assets. Corporate general and administrative expenses consist of corporate office support costs in areas such as facilities, finance, human resources, information technology, legal, marketing, restaurant operations, supply chain and training. As of December 31,2021 and 2020, corporate assets primarily include cash and cash equivalents, derivatives and lease right of use.
(ii) Relates to the purchase price allocation adjustment made at corporate level, which reduces the accounting value of our long-lived assets (excluding Lease right of use) and goodwill and the corresponding depreciation and amortization. As of December 31,2021 and 2020 primarily related with the reduction of goodwill.

The Company's revenues are derived from two sources: sales by Company-operated restaurants and revenues from restaurants operated by franchisees. All of the Company's revenues are derived from foreign operations.

Long-lived assets consisting of property and equipment totaled $743,533 and $796,532 at December 31, 2021 and 2020, respectively. All of the Company's long-lived assets are related to foreign operations.

22. Venezuelan operations

The Company conducts business in Venezuela where currency restrictions have been in place for several years under different currency exchange regulations. Although during 2019, the Central Bank of Venezuela loosen those restrictions by permitting financial institution to participate as intermediaries in foreign currency operations, the Company's ability to immediately access cash through repatriations continues to be limited.

Revenues and operating loss of the Venezuelan operations were $8,337 and $4,239, respectively, for fiscal year 2021; $4,494 and $7,712, respectively, for fiscal year 2020; and $10,184 and $8,240, respectively, for fiscal year 2019.

As of December 31, 2021, the Company did not have a material monetary position, which would be subject to remeasurement in the event of further changes in the exchange rate. In addition, Venezuela's non-monetary assets were $10.1 million (mainly fixed assets).

In addition to exchange controls, the Venezuelan market is subject to price controls. The Venezuelan government issued a regulation establishing a maximum profit margin for companies and maximum prices for certain goods and services. However, the Company was able to increase prices during the fiscal year ended December 31, 2021.

During August 2021, the Government announced the removal of six zeros from the Sovereign Bolivar (VES), effective October 1, 2021.

22. Venezuelan operations (continued)

The Company's Venezuelan operations, continue to be impacted by country's macroeconomic volatility, including the ongoing highly inflationary environment. Additionally, the operations would be further affected by more stringent controls on foreign currency exchange, pricing, payments, profits or imports; the continued migration or the high level of unemployment. The Company continues to closely monitor developments in this dynamic environment, to assess evolving business risks and actively manage its operations in Venezuela.

23. Shareholders' equity

Authorized capital

The Company is authorized to issue a maximum of 500,000,000 shares, consisting of 420,000,000 Class A shares and 80,000,000 Class B shares of no par value each.

Issued and outstanding capital

At December 31, 2018, the Company had 205,232,247 shares issued and outstanding with no par value, consisting of 125,232,247 class A shares and 80,000,000 class B shares.

During fiscal years 2021, 2020 and 2019, the Company issued 251,623, 472,130 and 470,558 Class A shares, respectively, in connection with the partial vesting of restricted share units under the 2011 Equity Incentive Plan.

On May 22, 2018, the Board of Directors approved the adoption of a share repurchase program, pursuant to which the Company may repurchase from time to time, along one year, up to $60,000 of issued and outstanding Class A shares of no par value of the Company.

As of February 15, 2019, the Company purchased 7,993,602 shares amounting to $60,000 and the program concluded. The shares reacquired were recorded at cost within "Common stock in treasury" in the Consolidated Statement of Changes in Equity.

On August 12, 2020, the Company used 2,723,614 of treasury shares to satisfy a distribution of class A shares to the Company's shareholders and on June 30, 2021, the Company used 2,960,926 of treasury shares to satisfy a distribution of class A shares to the Company's shareholders.

As of December 31, 2021, 2020 and 2019 the Company had 210,478,322; 207,265,773 and 204,070,029 outstanding shares, consisting of 130,478,322; 127,265,773 and 124,070,029 Class A shares, respectively, and 80,000,000 for Class B shares for each year.

Rights, privileges and obligations

Holders of Class A shares are entitled to one vote per share and holders of Class B shares are entitled to five votes per share. Except with respect to voting, the rights, privileges and obligations of the Class A shares and Class B shares are *pari passu* in all respects, including with respect to dividends and rights upon liquidation of the Company.

Distribution of dividends

The Company can only make distributions to the extent that immediately following the distribution, its assets exceed its liabilities and the Company is able to pay its debts as they become due.

On June 30, 2021, the Company approved a distribution of class A shares to the Company's Class A and Class B shareholders, which shares were distributed on July 23, 2021. The Company distributed one share for every seventy shares held by its shareholders and paid cash in lieu of fractional shares. Therefore, the Company distributed 2,960,926 repurchased shares and paid $21 for fractional shares.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

23. Shareholders' equity (continued)

Accumulated other comprehensive income (loss)

The following table sets forth information with respect to the components of "Accumulated other comprehensive income (loss)" as of December 31, 2021 and their related activity during the three-years in the period then ended:

	Foreign currency translation	Cash flow hedges	Post-employment benefits (i)	Total Accumulated other comprehensive loss
Balances at December 31, 2018	**$ (499,277)**	**$ (1,640)**	**$ (1,349)**	**$ (502,266)**
Other comprehensive loss before reclassifications	(12,168)	(5,185)	(55)	(17,408)
Net loss reclassified from accumulated other comprehensive income to net income	—	85	864	949
Adoption of ASU 2017-12	—	(780)	—	(780)
Net current-period other comprehensive (loss) income	(12,168)	(5,880)	809	(17,239)
Balances at December 31, 2019	**(511,445)**	**(7,520)**	**(540)**	**(519,505)**
Other comprehensive (loss) income before reclassifications	(76,359)	54,287	(195)	(22,267)
Net (income) loss reclassified from accumulated other comprehensive loss to net loss	—	(43,324)	236	(43,088)
Net current-period other comprehensive (loss) income	(76,359)	10,963	41	(65,355)
Balances at December 31, 2020	**(587,804)**	**3,443**	**(499)**	**(584,860)**
Other comprehensive (loss) income before reclassifications	(37,267)	19,698	(190)	(17,759)
Net (income) loss reclassified from accumulated other comprehensive losses to net income	—	(5,301)	152	(5,149)
Net current-period other comprehensive (loss) income	(37,267)	14,397	(38)	(22,908)
Balances at December 31, 2021	**$ (625,071)**	**$ 17,840**	**$ (537)**	**$ (607,768)**

(i) Mainly related to a post-employment benefit in Venezuela established by the Organic Law of Labor and Workers (known as "LOTTT", its Spanish acronym) in 2012. This benefit provides a payment of 30 days of salary per year of employment tenure based on the last wage earned to all workers who leave the job for any reason. The term of service to calculate the post-employment payment of active workers run retroactively since June 19, 1997. The Company obtains an actuarial valuation to measure the post-employment benefit obligation, using the projected unit credit actuarial method and measures this benefit in accordance with ASC 715-30, similar to pension benefit.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

24. Earnings per share

The Company is required to present basic earnings per share and diluted earnings per share in accordance with ASC 260. Earnings per share are based on the weighted average number of shares outstanding during the period after consideration of the dilutive effect, if any, for common stock equivalents, including stock options and restricted share units. Basic earnings per common share are computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding and dilutive securities outstanding during the period under the treasury method.

The following table sets forth the computation of basic and diluted net income per common share attributable to Arcos Dorados Holdings Inc. for all years presented:

	For the fiscal years ended December 31,		
	2021	2020	2019
Net income (loss) attributable to Arcos Dorados Holdings Inc. available to common shareholders	$ 45,486	$ (149,451)	$ 79,896
Weighted-average number of common shares outstanding - Basic (i)	210,386,761	208,378,442	206,964,903
Incremental shares from vesting of restricted share units	154,802	287,965	664,375
Weighted-average number of common shares outstanding - Diluted	210,541,563	208,666,407	207,629,278
Basic net income (loss) per common share attributable to Arcos Dorados Holdings Inc.	**$ 0.22**	**$ (0.72)**	**$ 0.39**
Diluted net income (loss) per common share attributable to Arcos Dorados Holdings Inc.	**$ 0.22**	**$ (0.72)**	**$ 0.38**

(i) Stock dividends and its retroactively are included within the weighted-average number of common shares.

25. Related party transactions

The Company has entered into a master commercial agreement on arm's length terms with Axionlog, a company under common control that operates the distribution centers in Argentina, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay, Venezuela, French Guyana, Guadeloupe, Martinique, Aruba and Curaçao (the "Axionlog Business"). Pursuant to this agreement Axionlog provides the Company distribution inventory, storage and transportation services in the countries in which it operates.

The following table summarizes the outstanding balances between the Company and the Axionlog Business as of December 31, 2021 and 2020:

	As of December 31,	
	2021	2020
Accounts and notes receivable, net	$ 365	$ 272
Other receivables	3,377	2,392
Miscellaneous	3,448	3,665
Accounts payable	(10,873)	(6,378)

Amounts in thousands of US dollars, except for share data and as otherwise indicated

25. Related party transactions (continued)

The following table summarizes the transactions between the Company and the Axionlog Business for the fiscal years ended December 31, 2021, 2020 and 2019:

	Fiscal years ended December 31,		
	2021	**2020**	**2019**
Food and paper (i)	$ (187,959)	$ (124,416)	$ (188,276)
Occupancy and other operating expenses	(5,108)	(3,667)	(7,252)

(i) Includes $40,227 of distribution fees and $147,732 of suppliers purchases managed through the Axionlog Business for the fiscal year ended December 31, 2021; $24,302 and $100,114, respectively, for the fiscal year ended December 31, 2020; and $38,658 and $149,618, respectively, for the fiscal year ended December 31, 2019.

The following table summarizes the outstanding balances between the Company and its equity method investments as of December 31, 2021 and 2020:

	2021			2020		
	Lacoop, A.C	**Lacoop II, S.C**	**Saile (i)**	**Lacoop, A.C**	**Lacoop II, S.C**	**Saile (i)**
Other receivables	$ —	$ 1,190	$ 731	$ —	$ 1,761	—
Accounts payable	—	(810)	—	—	(508)	—

(i) Operadora de Franquicias Saile S.A.P.I. de C.V.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

26. Valuation and qualifying accounts

The following table presents the information required by Rule 12-09 of Regulation S-X regarding valuation and qualifying accounts for each of the periods presented:

Description	Balance at beginning of period	Additions (i)	Deductions (ii)	Translation	Balance at end of period
Year ended December 31, 2021:					
Deducted from assets accounts:					
Allowance for doubtful accounts (iii)	$ 943	$ 814	$ (787)	$ (96)	$ 874
Valuation allowance on deferred tax assets	235,196	2,403	(38,992)	(12,368)	186,239
Reported as liabilities:					
Provision for contingencies	26,948	23,454	(13,788)	(2,528)	34,086
Total	**$ 263,087**	**$ 26,671**	**$ (53,567)**	**$ (14,992)**	**$ 221,199**
Year ended December 31, 2020:					
Deducted from assets accounts:					
Allowance for doubtful accounts (iii)	$ 23,076	$ 937	$ (22,929)	$ (141)	$ 943
Valuation allowance on deferred tax assets	194,426	65,077	(18,870)	(5,437)	235,196
Reported as liabilities:					
Provision for contingencies	26,158	17,391	(11,920)	(4,681)	26,948
Total	**$ 243,660**	**$ 83,405**	**$ (53,719)**	**$ (10,259)**	**$ 263,087**
Year ended December 31, 2019:					
Deducted from assets accounts:					
Allowance for doubtful accounts (iii)	$ 25,539	$ 8,524	$ (10,892)	$ (95)	$ 23,076
Valuation allowance on deferred tax assets	219,920	2,375	(26,252)	(1,617)	194,426
Reported as liabilities:					
Provision for contingencies	28,509	17,795	(17,768)	(2,378)	26,158
Total	**$ 273,968**	**$ 28,694**	**$ (54,912)**	**$ (4,090)**	**$ 243,660**

(i) Additions in valuation allowance on deferred tax assets are charged to income tax expense.

Additions in provision for contingencies are explained as follows:

Fiscal years 2021, 2020 and 2019 – Relate to the accrual of $22,555, $15,330 and $17,441, respectively, and a reclassification of $899 and $2,061, during fiscal years 2021 and 2020, respectively. See Note 18 for details.

(ii) Deductions in valuation allowance on deferred tax assets are charged to income tax expense.

Deductions in provision for contingencies are explained as follows:

Corresponds to the settlements amounting to $13,788; $11,920 and $17,768 during fiscal years 2021, 2020 and 2019, respectively. as discussed in Note 18.

Deductions in allowance for doubtful accounts during fiscal years 2020 and 2019 mainly relate to reductions in the accrual and the write-off of some receivables from franchisees in Puerto Rico as a consequence of the confidential settlement agreements reached in December 2020 and March 2021 with Puerto Rican franchisees. For details see note 18.

Amounts in thousands of US dollars, except for share data and as otherwise indicated

26. Valuation and qualifying accounts (continued)

(iii) Presented in the consolidated balance sheet as follow: $542 and $585 at December 31, 2021 and 2020, respectively, within Accounts and notes receivable, net and $332 and $358 at December 31, 2021 and 2020, respectively, within Other receivables.

27. Subsequent events

a. Commitments

On January 10, 2022, the Company reached an agreement with McDonald's Corporation on a new growth and investment plan for next years. McDonald's Corporation has agreed to continue providing the Company with growth support under certain terms and conditions. See Note 18 for additional information.

b. Dividend distribution

On March 15, 2022, the Company approved a dividend distribution to all Class A and Class B shareholders of $0.15 per share to be paid in four installments, as follows: $0.04 per share in March 31, June 30 and September 30, 2022, respectively and $0.03 per share in December 30, 2022.

c. Long term debt

On April 18, 2022, the Company announced the commencement of an offer to purchase for cash (i) any and all of its outstanding 2023 Notes and (ii) up to $150 million of its outstanding 2027 Notes.

The table below summarizes certain payment terms for the Notes:

Senior Note	Principal amount outstanding	Late Tender Offer Consideration (i) (ii)	Tender Offer Expiration Date	Early Tender Offer Expiration Date	Early Tender Premium (i) (ii)	Total Consideration (i) (ii)
2027 Notes	$ 535,986	$ 999.38	May 13, 2022	April 29, 2022	$ 30.00	$ 1,029.38
2023 Notes	$ 201,763	—	April 22, 2022	—	—	$ 1,053.60

(i) Per $1,000 principal amount of applicable Notes, validly tendered and accepted for purchase, plus Accrued Interest.
(ii) Expressed as whole number.

Furthermore, on April 27, 2022, the Company´s subsidiary Arcos Dorados B.V. (the "Issuer") issued sustainability-linked Senior Notes for an aggregate principal amount of $ 350 million which matures in 2029. Interest on the notes will accrue at a rate of 6.125% per annum from April 27, 2022 and, from and including May 27, 2026, the interest rate payable on the 2029 Notes may be increased to 6.250% per annum or 6.375% per annum if either or both Sustainability Performance Targets, respectively, have not been satisfied by December 31, 2025. Sustainability Performance Targets for the 2029 Notes are:

(i) Reductions of greenhouse gas emissions by 15% in restaurants and offices.
(ii) Reductions of greenhouse gas emissions by 10% in supply chain.

Periodic payments of principal are not required and interest is paid semi-annually commencing on November 27, 2022. The 2029 Notes are guaranteed on a senior unsecured basis by the Company and certain of its subsidiaries. The proceeds from 2029 Notes will be used by the Company to fund the tender offers aforementioned and any remainder for general corporate purposes.

On April 27, 2022 the Company redeemed 23.36% of the outstanding principal of 2023 Notes. The total payment was $62,741 (including $3,175 of Tender Consideration), plus accrued and unpaid interest.

Exhibit 2.3

EXECUTION VERSION

ARCOS DORADOS B.V.
as Issuer

ARCOS DORADOS HOLDINGS INC.
as Parent Guarantor

THE SUBSIDIARY GUARANTORS
named herein

CITIBANK, N.A.
as Trustee, Registrar, Paying Agent and Transfer Agent

and

BANQUE INTERNATIONALE À LUXEMBOURG, SOCIÉTÉ ANONYME
as Luxembourg Paying Agent

INDENTURE

Dated as of April 27, 2022

6.125% SUSTAINABILITY-LINKED SENIOR NOTES DUE 2029

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INDENTURE, dated as of April 27, 2022, among Arcos Dorados B.V., a Dutch private limited liability company (*besloten venmootschap met beperkte aansprakelijkheid*) (the "Company"), Arcos Dorados Holdings Inc., a British Virgin Islands business company (the "Parent Guarantor"), the Subsidiary Guarantors named herein (as defined below), Citibank, N.A., a national banking association as trustee (the "Trustee"), and registrar (the "Registrar"), paying agent and transfer agent, and Banque Internationale à Luxembourg, Société Anonyme (the "Luxembourg Paying Agent").

Each party agrees as follows for the benefit of the other parties and of the Holders of the Initial Notes and any Additional Notes (in each case as defined herein):

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions.

"2007 Letter of Credit Agreement" means the Letter of Credit Reimbursement Agreement, dated as of August 3, 2007, between the Company and Credit Suisse, Cayman Islands Branch, as issuing bank.

"2011 Letter of Credit Agreement" means the Letter of Credit Reimbursement Agreement, dated as of May 9, 2011, between the Parent Guarantor and Itaú Unibanco S.A., as issuing bank.

"2015 Letter of Credit Agreement" means the Letter of Credit Reimbursement Agreement, dated as of November 3, 2015, between the Company and JPMorgan Chase Bank N.A., as issuing bank.

"Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2) Sustainability Performance Target" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Absolute Greenhouse Gas Emissions Reduction Baseline" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Accounts Receivable" means (1) accounts receivable, (2) franchise fee payments and other revenues related to franchise agreements, (3) royalty and other similar payments made related to the use of trade names and other intellectual property, business support, training and other services and (4) revenues related to distribution and merchandising of the products of the Parent Guarantor and its Restricted Subsidiaries.

"Acquired Indebtedness" means Indebtedness of a Person or any of its subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Parent Guarantor or at the time it merges or consolidates with the Parent Guarantor or any of its Restricted Subsidiaries or is assumed in connection with the acquisition of assets from such Person. Acquired Indebtedness will be deemed to have been Incurred at the time such Person becomes a Restricted Subsidiary or at the time it merges or consolidates with the Parent Guarantor or a Restricted Subsidiary or at the time such Indebtedness is assumed in connection with the acquisition of assets from such Person.

"Additional Amounts" has the meaning set forth under Section 3.14.

"Additional Note Board Resolutions" means resolutions duly adopted by the Board of Directors of the Company and delivered to the Trustee in an Officers' Certificate providing for the issuance of Additional Notes.

"Additional Note Supplemental Indenture" means a supplement to this Indenture duly executed and delivered by the Company and the Trustee pursuant to Article IX providing for the issuance of Additional Notes.

"Additional Notes" means any additional Notes as specified in the relevant Additional Note Board Resolutions or Additional Note Supplemental Indenture issued therefor in accordance with this Indenture.

"Affiliate" means, with respect to any specified Person, any other Person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. Solely for purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"Agent Members" has the meaning assigned to it in Section 2.7(b).

"Asset Acquisition" means:

(1) an Investment by the Parent Guarantor or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary, or will be merged with or into the Parent Guarantor or any Restricted Subsidiary; or

(2) the acquisition by the Parent Guarantor or any Restricted Subsidiary of the assets of any Person (other than a Subsidiary of the Parent Guarantor) which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business; or

(3) any Revocation with respect to an Unrestricted Subsidiary.

"Asset Sale" means:

(1) any direct or indirect sale, disposition, issuance, conveyance, transfer, lease, assignment or other transfer, including, without limitation, a Sale and Leaseback Transaction (each, a "disposition"), by the Parent Guarantor or any Restricted Subsidiary of:

(a) any Capital Stock other than Capital Stock of the Parent Guarantor (other than directors' qualifying shares and shares issued to foreign nationals to the extent required by applicable law); or

(b) any property or assets (other than cash, Cash Equivalents or Capital Stock) of the Parent Guarantor or any Restricted Subsidiary; and

(2) the exercise by McDonald's of the McDonald's Call Option in respect of any Subsidiary of the Parent Guarantor other than the Master Franchisee or the Brazilian Master Franchisee.

"Asset Sale Transaction" means any Asset Sale and any Designation with respect to an Unrestricted Subsidiary.

"Attributable Debt" means (i) with respect to a Sale and Lease-Back Transaction relative to any property, at the time of determination, the present value of the total net amount of rent required to be paid under such lease during the remaining term thereof (including any period for which such lease has been extended), discounted at the applicable rate of interest set forth or implicit in the terms of such lease (or, if not practicable to determine such rate, the weighted average interest rate per annum borne by the securities of all series then outstanding under this Indenture) and (ii) in the case of any lease which is terminable by the lessee upon the payment of a penalty, the net amount of such lease shall be the lesser of (x) the net amount determined assuming termination upon the first date such lease may be terminated (in which case the net amount shall also include the amount of the penalty, but shall not include any rent that would be required to be paid under such lease subsequent to the first date upon which it may be terminated) or (y) the net amount determined assuming no such termination.

"Authenticating Agent" has the meaning assigned to it in Section 2.2(d).

"Authorized Agent" has the meaning assigned to it in Section 11.6(d).

"Bankruptcy Law" means Title 11, U.S. Code or any similar U.S. federal or state law or non-U.S. law for the relief of debtors, including the Insolvency Act, 2003 of the British Virgin Islands.

"Bankruptcy Law Event of Default" means:

(1) the Parent Guarantor, the Company or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, pursuant to or under or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case or proceeding;

(b) consents to the making of a Bankruptcy Order in an involuntary case or proceeding or consents to the commencement of any case against it (or them);

(c) consents to the appointment of a custodian, receiver, liquidator, assignee, trustee, *síndico*, *conciliador*, sequestrator or similar official of it (or them) or for all or any substantial part of its property;

(d) makes a general assignment for the benefit of its (or their) creditors;

(e) files an answer or consent seeking reorganization or relief;

(f) admits in writing its inability to pay its (or their) debts generally; or

(g) consents to the filing of a petition in bankruptcy;

(2) a court of competent jurisdiction in any involuntary case or proceeding enters a Bankruptcy Order against the Company, the Parent Guarantor, or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or of all or any substantial part of the property of the Company, the Parent Guarantor, or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, and such Bankruptcy Order remains unstayed and in effect for 60 consecutive days; or

(3) a custodian, receiver, liquidator, assignee, trustee, *síndico, conciliador,* sequestrator or similar official is appointed out of court with respect to the Company, the Parent Guarantor, or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or with respect to all or any substantial part of the assets or properties of the Company, the Parent Guarantor, or any Significant Subsidiary, or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

"Bankruptcy Order" means any court order made in a proceeding pursuant to or within the meaning of any Bankruptcy Law, containing an adjudication of bankruptcy or insolvency, or providing for liquidation, receivership, winding-up, dissolution, suspension of payments, reorganization or similar proceedings, or appointing a custodian of a debtor or of all or any substantial part of a debtor's property, or providing for the staying, arrangement, adjustment or composition of indebtedness or other relief of a debtor.

"Baseline Recalculation" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Board of Directors" means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof and with respect to the Company means the "*directie.*"

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary, or in the case of the Company, a director, of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Brazilian Master Franchisee" means Arcos Dourados Comércio de Alimentos S.A., or any successor to its rights and obligations under the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America and Arcos Dourados Comércio de Alimentos S.A., as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Business Day" means a day, other than a Saturday, a Sunday, or a legal holiday or a day on which commercial banks and foreign exchange markets are authorized or obligated to close in the City of New York.

"Call Option Closing Date" means the date on which the equity interests of the Master Franchisee or the Brazilian Master Franchisee are transferred to McDonald's upon McDonald's exercise of the McDonald's Call Option and the Call Option Price in respect thereof is paid by McDonald's to the Parent Guarantor.

"Call Option Price" means the price payable by McDonald's to the Parent Guarantor upon exercise by McDonald's of the McDonald's Call Option in respect of the equity interests of the Master Franchisee or the Brazilian Master Franchisee.

"Call Option Redemption Event" means the occurrence of the Call Option Closing Date and the payment of the Call Option Price by McDonald's to the Parent Guarantor, but only with respect to the Master Franchisee and/or the Brazilian Master Franchisee.

"Capital Stock" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligations" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

"Cash Equivalents" means:

(1) U.S. dollars, or money in the local currency of any country in which the Parent Guarantor or any of its Restricted Subsidiaries operates;

(2) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof;

(3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof or any country recognized by the Unites States of America maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the three highest ratings obtainable from either S&P or Moody's or any successor thereto;

(4) commercial paper outstanding at any time issued by any Person that is organized under the laws of the United States of America, any state thereof or any Latin American country recognized by the United States and rated P-1 or better from Moody's or A-1 or better from S&P or, with respect to Persons organized outside of the United States, a local market credit rating at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's and in each case with maturities of not more than 360 days from the date of acquisition thereof;

(5) demand deposits, certificates of deposit, overnight deposits and time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any commercial bank that is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States and at the time of acquisition thereof has capital and surplus in excess of $500 million (or the foreign currency equivalent thereof) and a rating of P-1 or better from Moody's or A-1 or better from S&P or, with respect to a commercial bank organized outside of the United States, a local market credit rating of at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's, or with government owned financial institution that is organized under the laws of any of the countries in which the Parent Guarantor's Restricted Subsidiaries conduct business;

(6) insured demand deposits made in the ordinary course of business and consistent with the Parent Guarantor's or its Subsidiaries' customary cash management policy in any domestic office of any commercial bank organized under the laws of the United States of America or any state thereof;

(7) repurchase obligations with a term of not more than 360 days for underlying securities of the types described in clauses (2), (3) and (4) above entered into with any financial institution meeting the qualifications specified in clause (5) above;

(8) substantially similar investments denominated in the currency of any jurisdiction in which the Parent Guarantor or any of its Restricted Subsidiaries conducts business of issuers whose country's credit rating is at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's; and

(9) investments in money market funds which invest at least 95% of their assets in securities of the types described in clauses (1) through (8) above.

"Certificated Note" means any Note issued in fully-registered certificated form (other than a Global Note), which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.8 and Exhibit A.

"Change of Control" means the occurrence of one or more of the following events:

(1) The Permitted Holders cease to be the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of 30.0% of the voting power of the Voting Stock of the Parent Guarantor (including any Parent Guarantor Surviving Entity or Issuer Surviving Entity, as applicable), the Master Franchisee or the Brazilian Franchisee;

(2) individuals appointed by the Permitted Holders cease for any reason to constitute a majority of the members of the Board of Directors of the Parent Guarantor, the Master Franchisee or the Brazilian Franchisee;

(3) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Parent Guarantor, the Master Franchisee or the Brazilian Franchisee determined on a consolidated basis, to any "person" (as defined in Sections 13d and 14d under the Exchange Act), whether or not otherwise in compliance with the Indenture, other than a Permitted Holder; or

(4) the approval by the holders of Capital Stock of the Parent Guarantor, the Master Franchisee or the Brazilian Franchisee of any plan or proposal for the liquidation or dissolution of the Parent Guarantor, Company, the Master Franchisee or the Brazilian Franchisee, whether or not otherwise in compliance with the Indenture.

"Change of Control Notice" means notice of a Change of Control Offer made pursuant to Section 3.7, which shall be sent to each record Holder as shown on the Note Register within 30 days following the date upon which a Change of Control Repurchase Event occurred, with a copy to the Trustee, in the manner provided for in Section 11.1 and which notice shall govern the terms of the Change of Control Offer and shall state:

(1) that a Change of Control Repurchase Event has occurred, the circumstances or events causing such Change of Control Repurchase Event and that a Change of Control Offer is being made pursuant to Section 3.7, **a**nd that all Notes that are timely tendered shall be accepted for payment;

(2) the Change of Control Payment, and the Change of Control Payment Date;

(3) that any Notes or portions thereof not tendered or accepted for payment shall continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Change of Control Payment with respect thereto, all Notes or portions thereof accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest from and after the Change of Control Payment Date;

(5) that any Holder electing to have any Notes or portions thereof purchased pursuant to a Change of Control Offer shall be required to tender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that any Holder shall be entitled to withdraw such election if the Paying Agent receives, not later than the close of business on the third Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter, setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing such Holder's election to have such Notes or portions thereof purchased pursuant to the Change of Control Offer;

(7) that any Holder electing to have Notes purchased pursuant to the Change of Control Offer must specify the principal amount that is being tendered for purchase, which principal amount must be U.S.$200,000 or an integral multiple of U.S.$1,000 in excess thereof;

(8) that any Holder of Certificated Notes whose Certificated Notes are being purchased only in part shall be issued new Certificated Notes equal in principal amount to the unpurchased portion of the Certificated Note or Notes surrendered, which unpurchased portion shall be equal in principal amount to U.S.$200,000 or an integral multiple of U.S.$1,000 in excess thereof;

(9) that the Trustee shall return to the Holder of a Global Note that is being purchased in part, such Global Note with a notation on the schedule of increases and decreases thereof adjusting the principal amount thereof to be equal to the unpurchased portion of such Global Note;

(10) that, in the event that Holders of not less than 95% of the aggregate principal amount of the Outstanding Notes accept a Change of Control Offer and the Company or a third party purchases all of the Notes held by such Holders, the Company shall have the right, upon prior notice, to redeem all of the Notes that remain outstanding in accordance with Section 3.7(e); and

(11) any other information necessary to enable any Holder to tender Notes and to have such Notes purchased pursuant to Section 3.7.

"Change of Control Offer" has the meaning assigned to it in Section 3.7(a).

"Change of Control Payment" has the meaning assigned to it in Section 3.7.

"Change of Control Payment Date" means a Business Day no earlier than 30 days nor later than 60 days subsequent to the date on which the Change of Control Notice is mailed (other than as may be required by applicable law);

"Change of Control Repurchase Event" means the occurrence of both a Change of Control and a Rating Downgrade Event.

"Commodity Agreement" means, with respect to any Person, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which such Person is a party designed to manage commodity risk of such Person.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"Company" means the party named as such in the introductory paragraph to this Indenture and its successors and assigns, including any Surviving Entity.

"Company Order" has the meaning assigned to it in Section 2.2(c).

"Consolidated Adjusted EBITDA" means, with respect to any Person for any period, Consolidated Net Income for such Person for such period, *plus* the following (without duplication) to the extent deducted or added in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense for such Person for such period;

(2) Consolidated Income Tax Expense for such Person for such period;

(3) Consolidated Non-cash Charges for such Person for such period;

(4) any non-operating and/or non-recurring charges, expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) for such period; and

(5) the amount of loss on any sale of Accounts Receivables and related assets to a Securitization Subsidiary in connection with a Permitted Receivables Financing;

less (x) all non-cash credits and gains increasing Consolidated Net Income for such Person for such period, (y) all cash payments made by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) during such period relating to non-cash charges that were added back in determining Consolidated Adjusted EBITDA in any prior period and (z) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) for such period.

Notwithstanding the foregoing, the items specified in clauses (1) and (3) above for any Subsidiary (Restricted Subsidiary in the case of the Parent Guarantor) will b added to Consolidated Net Income in calculating Consolidated Adjusted EBITDA for any period:

(a) in proportion to the percentage of the total Capital Stock of such Subsidiary (Restricted Subsidiary in the case of the Parent Guarantor) held directly o indirectly by such Person at the date of determination; and

(b) to the extent that a corresponding amount would be permitted at the date of determination to be distributed to such Person by such Subsidiary (Restricted Subsidiary in the case of the Parent Guarantor) pursuant to its charter and bylaws (estatutos sociales) and each law, regulation, agreement or judgmen applicable to such distribution.

"Consolidated Income Tax Expense" means, with respect to any Person for any period, the provision for federal, state, local and any other income taxes payable by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) for such period as determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means, with respect to any Person for any period, the sum (without duplication) determined on a consolidated basis in accordance with GAAP of:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) for such period determined on a consolidated basis in accordance with GAAP, including, without limitation, the following (whether or not interest expense in accordance with GAAP):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) in the form of additional Indebtedness;

(b) any amortization of deferred financing costs;

(c) the net costs under Hedging Obligations (including amortization of fees) in respect of Indebtedness or that are otherwise treated as interest expense or equivalent under GAAP; provided that if Hedging Obligations result in net benefits rather than costs, such benefits will be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such net benefits are otherwise reflected in Consolidated Net Income;

(d) all capitalized interest;

(e) the interest portion of any deferred payment obligation;

(f) any premiums, fees, discounts, expenses and losses on the sale of accounts receivable (and any amortization thereof) payable by the Parent Guarantor or any Restricted Subsidiary in connection with a Permitted Receivables Financing;

(g) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances; and

(h) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) or secured by a Lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor), whether or not such Guarantee or Lien is called upon; and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) during such period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate net income (or loss) of such Person and its Subsidiaries (after deducting (or adding) the portion of such net income (or loss) attributable to minority interests in Subsidiaries of such Person) for such period on a consolidated basis, determined in accordance with GAAP; *provided* that there will be excluded therefrom to the extent reflected in such aggregate net income (loss):

(1) net after-tax gains or losses from Asset Sale Transactions or abandonments or reserves relating thereto;

(2) net after-tax items classified as extraordinary, special (reflected as a separate line item on a consolidated income statement prepared in accordance with GAAP) gains or losses or income or expense or charge including, without limitation, any severance expense, and fees, expenses or charges related to any offering of Capital Stock of the Parent Guarantor or the Company, any Permitted Investment, Asset Acquisition or Indebtedness permitted to be incurred pursuant to Section 3.9;

(3) the net income (or loss) of any Person, other than such Person and any Subsidiary of such Person (Restricted Subsidiary in the case of the Parent Guarantor); except that the Parent Guarantor's equity in the net income of any Person will be included up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (5) below); and except further that the Parent Guarantor's equity in the net loss of any Person will be included to the extent such loss have been funded with cash from the Parent Guarantor or a Restricted Subsidiary;

(4) [Reserved]

(5) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of Consolidated Net Income accrued at any time following the Issue Date;

(6) any gain (or loss) from foreign exchange translation or change in net monetary position;

(7) any net gain or loss (after any offset) resulting in such period from Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes; provided that the net effect on income or loss (including in any prior periods) will be included upon any termination or early extinguishment of such Hedging Obligations, other than any Hedging Obligations with respect to Indebtedness (that is not itself a Hedging Obligation) and that are extinguished concurrently with the termination or other prepayment of such Indebtedness; and

(8) the cumulative effect of changes in accounting principles.

"Consolidated Net Tangible Assets" means the total consolidated assets of the Parent Guarantor and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Parent Guarantor provided to the Trustee pursuant to Section 3.13 (or required to be provided thereunder), less (1) all current liabilities of the Parent Guarantor and its Restricted Subsidiaries after eliminating (a) all intercompany items between the Parent Guarantor and any Restricted Subsidiaries or between Restricted Subsidiaries and (b) all current maturities of long-term Indebtedness; and (2) all goodwill, patents, tradenames, trademarks, copyrights, franchises, experimental expenses, organization expenses and any other amounts classified as intangible assets in accordance with GAAP; all calculated in accordance with GAAP and calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Parent Guarantor, the Company and their Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

"Consolidated Non-cash Charges" means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses or losses of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) for such period, determined on a consolidated basis in accordance with GAAP (excluding any such charge which constitutes an accrual of or a reserve for cash charges for any future period or the amortization of a prepaid cash expense paid in a prior period).

"Consolidated Total Net Indebtedness" means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor) outstanding at such time less the sum of (without duplication) consolidated cash and Cash Equivalents and consolidated marketable securities recorded as current assets (except for any Capital Stock in any Person) in all cases determined in accordance with GAAP and as set forth in the most recent consolidated balance sheet of the Parent Guarantor and its Restricted Subsidiaries.

"Corporate Trust Office" means (i) solely for the purposes of the transfer, surrender and exchange of the Notes or for the presentment of Notes for final payment thereon, 480 Washington Boulevard, 30th Floor, Jersey City, New Jersey 07310, Attention: Global Transaction Services - Arcos Dorados, and (ii) for all other purposes, the office of the Trustee at which any particular time its corporate trust business shall be principally administered (which office as of the date of this Indenture is located at Citibank, N.A., Attention: Citi Agency & Trust – Arcos Dorados, 388 Greenwich Street, 4th Floor, New York, NY 10013), or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the designated corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders and the Company).

"Covenant Defeasance" has the meaning assigned to it in Section 8.1(c).

"Covenant Suspension Event" has the meaning assigned to it in Section 3.16(a).

"Currency Agreement" means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed solely to hedge foreign currency risk of such Person.

"Default" means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

"Defaulted Interest" has the meaning assigned to it in paragraph 1 of the Form of Reverse Side of Note contained in Exhibit A.

"Designation" and "Designation Amount" have the respective meanings assigned to them in Section 3.11(a).

"Disqualified Capital Stock" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof.

"Distribution Compliance Period" means, with respect to any Regulation S Global Note, the 40 consecutive days beginning on and including the later of (a) the day on which any Notes represented thereby are offered to persons other than distributors (as defined in Regulation S under the Securities Act) pursuant to Regulation S and (b) the issue date for such Notes.

"DTC" means The Depository Trust Company, its nominees and their respective successors and assigns, or such other depositary institution hereinafter appointed by the Company that is a clearing agency registered under the Exchange Act.

"Equity Offering" means an offering for cash, after the Issue Date, of Qualified Capital Stock of (i) the Company or of any direct or indirect parent of the Company (including the Parent Guarantor) to the extent the proceeds thereof are contributed to the common equity of the Company, or (ii) Arcos Dourados Comércio de Alimentos S.A.

"Event of Default" has the meaning assigned to it in Section 6.1.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

"External Verifier" means a qualified provider, as determined by the Parent Guarantor in good faith, of third-party assurance or attestation services appointed by the Parent Guarantor to review its statement of satisfaction of each applicable Sustainability Performance Target.

"Fair Market Value" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided* that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a Board Resolution.

"Fitch" means Fitch Inc., a subsidiary of Fimalac, S.A., and its successors.

"Food and Packaging" means the aggregate amount of food and packaging purchased during a calendar year by the Parent Guarantor and its subsidiaries for purposes of the Parent Guarantor's direct and indirect operations.

"Four-Quarter Period" has the meaning set forth in the definition of Net Debt to EBITDA Ratio below.

"Franchise Documents" means the Master Franchise Agreements and any other documents pursuant to which the Parent Guarantor or any of its Restricted Subsidiaries has acquired the right to operate any franchised restaurant in Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curacao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Trinidad and Tobago, Uruguay, Venezuela and the U.S. Virgin Islands of St. Thomas and St. Croix, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"GAAP" means generally accepted accounting principles in effect in the United States.

"GHG Emission Intensity" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3) Sustainability Performance Target" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Greenhouse Gas (GHG) Emission Intensity Reduction Baseline" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Global Note" means any Note issued in fully-registered certificated form to DTC (or its nominee), as depositary for the beneficial owners thereof, which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.8 and Exhibit A.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay, or advance or supply funds for the purchase or payment of, such Indebtedness of such other Person, whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise; or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part;

provided that "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. "Guarantee," when used as a verb, has a corresponding meaning.

"Guarantors" means the Parent Guarantor and each Subsidiary Guarantor.

"Hedging Obligations" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"Holder" means the Person in whose name a Note is registered in the Note Register.

"Incur" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness (and "Incurrence" and "Incurred" will have meanings correlative to the foregoing), *provided* that (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary of the Parent Guarantor will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary of the Parent Guarantor and (2) neither the accrual of interest nor the accretion of original issue discount nor the payment of dividends on Disqualified Capital Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Preferred Stock will be considered an Incurrence of Indebtedness.

"Indebtedness" means, with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);

(5) all reimbursement obligations in respect of letters of credit, banker's acceptances or similar credit transactions (except to the extent Incurred in the ordinary course of business and such obligation is satisfied within 20 Business Days of Incurrence);

(6) guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) above which is secured by any Lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured;

(8) all net obligations under Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(9) the amount of all Permitted Receivables Financings of such Person; and

(10) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided* that:

(a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required to be determined pursuant to the Indenture; and

(b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingency obligations at such date.

"Indenture" means this Indenture, as amended or supplemented from time to time, including the Exhibits hereto, and any supplemental indenture hereto.

"Initial Call Date" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Initial Rate of Interest" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Initial Notes" means any of the Company's 6.125% Sustainability-Linked Senior Notes due 2029 payable in U.S. Dollars issued on the Issue Date, and any replacement Notes issued therefor in accordance with this Indenture.

"Initial Purchasers" means (i) with respect to the Initial Notes issued on the Issue Date, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Itau BBA USA Securities Inc. and Santander Investment Securities Inc. and (ii) with respect to each issuance of Additional Notes, the Persons purchasing such Additional Notes under the related purchase agreement.

"Interest Payment Date" means the stated due date of an installment of interest on the Notes as specified in the Form of Face of Note contained in Exhibit A.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed solely to hedge interest rate risk of such Person.

"Interest Rate Step-Up Date" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Investment" means, with respect to any Person, any:

(1) direct or indirect loan, advance or other extension of credit (including, without limitation, a Guarantee) to any other Person (other than advances or extensions of credit to customers in the ordinary course of business);

(2) capital contribution (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others) to any other Person; or

(3) any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any other Person.

"Investment" will exclude accounts receivable or deposits arising in the ordinary course of business. "Invest," "Investing" and "Invested" have corresponding meanings.

For purposes of Section 3.10, the Parent Guarantor will be deemed to have made an "Investment" in an Unrestricted Subsidiary at the time of its Designation, which will be valued at the Fair Market Value of the sum of the net assets of such Unrestricted Subsidiary at the time of its Designation and the amount of any Indebtedness of such Unrestricted Subsidiary owed to the Parent Guarantor or any Restricted Subsidiary immediately following such Designation. Any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer. If the Parent Guarantor or any Restricted Subsidiary sells or otherwise disposes of any Capital Stock of a Restricted Subsidiary (including any issuance and sale of Capital Stock by a Restricted Subsidiary) such that, after giving effect to any such sale or disposition, such Restricted Subsidiary would cease to be a Subsidiary of the Parent Guarantor, the Parent Guarantor will be deemed to have made an Investment on the date of any such sale or disposition equal to the sum of the Fair Market Value of the Capital Stock of such former Restricted Subsidiary held by the Parent Guarantor or any Restricted Subsidiary immediately following such sale or other disposition and the amount of any Indebtedness of such former Restricted Subsidiary Guaranteed by the Parent Guarantor or any Restricted Subsidiary or owed to the Parent Guarantor or any other Restricted Subsidiary immediately following such sale or other disposition.

"Investment Grade Rating" means a rating equal to or higher than BBB-, in the case of S&P and Fitch, and Baa3, in the case of Moody's.

"Issue Date" means the date of this Indenture (being the original issue date of Notes hereunder).

"Issuer Surviving Entity" has the meaning set forth in Section 4.1(b).

"L/C Documents" means the Letters of Credit, the Letter of Credit Agreements, the L/C Security Documents and each other agreement, instrument or document delivered in connection with the foregoing, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"L/C Security Documents" means the Security Agreement dated as of August 3, 2007 made by the Subsidiaries of the Parent Guarantor party thereto and the Pledge Agreement dated as of August 3, 2007 made by the Subsidiaries of the Parent Guarantor party thereto, in each case to secure the obligations under the 2007 Letter of Credit Agreement; the Security Agreement dated as of May 9, 2011 made by the Subsidiaries of the Parent Guarantor party thereto and the Pledge Agreement dated as of May 9, 2011 made by the Subsidiaries of the Parent Guarantor party thereto, in each case to secure the obligations under the 2011 Letter of Credit Agreement; and Security Agreement dated as of November 3, 2015 made by the Subsidiaries of the Parent Guarantor party thereto and the Pledge Agreement dated as of November 3, 2015 made by the Subsidiaries of the Parent Guarantor party thereto, in each case to secure the obligations under the 2015 Letter of Credit Agreement.

"Legal Defeasance" has the meaning assigned to it in Section 8.1(b).

"Letter of Credit Agreements" means the 2007 Letter of Credit Agreement, the 2011 Letter of Credit Agreement and the 2015 Letter of Credit Agreement.

"Letters of Credit" means (i) the irrevocable standby letter of credit issued on August 3, 2007, for the account of the Parent Guarantor and the subsidiary guarantors identified thereto, for the benefit of McDonald's Latin America, pursuant to the 2007 Letter of Credit Agreement, (ii) the irrevocable standby letter of credit issued on May 9, 2011, for the account of the Parent Guarantor and the subsidiary guarantors identified thereto, for the benefit of McDonald's Latin America, pursuant to the 2009 Letter of Credit Agreement and (iii) the irrevocable standby letter of credit issued on November 3, 2015, for the account of the Parent Guarantor and the subsidiary guarantors identified thereto, for the benefit of McDonald's Latin America, pursuant to the 2015 Letter of Credit Agreement.

"Legal Holiday" has the meaning assigned to it in Section 11.5.

"Lien" means any lien, mortgage, deed of trust, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that the lessee in respect of a Capitalized Lease Obligation or Sale and Leaseback Transaction will be deemed to have Incurred a Lien on the property leased thereunder; *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"Luxembourg" means the Grand Duchy of Luxembourg.

"Luxembourg Paying Agent" means the party named as such in the introductory paragraph of this Indenture until such party resigns or is removed by the Company from such role; provided that, if such party is replaced by a successor in accordance with the terms of this Indenture, "Luxembourg Paying Agent" shall thereafter mean such successor.

"Master Franchise Agreements" means the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Parent Guarantor and the other parties thereto, and the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America and Arcos Dourados Comércio de Alimentos S.A., as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Master Franchisee" means LatAm, LLC, or any successor to its rights and obligations under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Parent Guarantor and the other parties thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Maturity Date" means, when used with respect to any Note, the date on which the principal of such Note becomes due and payable as therein or herein provided, whether at Stated Maturity or by declaration of acceleration, call for redemption, exercise of the repurchase right or otherwise.

"McDonald's" means McDonald's Corporation and its Subsidiaries.

"McDonald's Call Option" means the "Call Option" referred to in the Master Franchise Agreements.

"McDonald's Deposit" means any cash and investments, in an aggregate amount not to exceed U.S.$15,000,000, serving as credit support to obligations owing by the Parent Guarantor, the Company and the Subsidiary Guarantors to McDonald's Latin America under the Franchise Documents.

"McDonald's Deposit Pledge Agreement" means documentation, pursuant to which a lien in favor of McDonald's Latin America is granted over the McDonald's Deposit (and to the extent perfection of such lien is by "control" as provided in Section 9-314 of the Uniform Commercial Code, any related control agreements in customary form providing for such perfection).

"McDonald's Foreign Pledge Agreements" means, collectively, the pledge agreements listed on Schedule I to this Indenture.

"McDonald's Latin America" means McDonald's Latin America, LLC, a limited liability company organized under the laws of the State of Delaware.

"McDonald's Mortgage" means any mortgages granted in favor of McDonald's Latin America on Secured Restricted Real Estate, in each case securing obligations owing to McDonald's Latin America under the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008, among McDonald's Latin America, the Parent Guarantor and the other parties thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time, in an aggregate amount not to exceed the undrawn portion of the Letter of Credit on the date of termination thereof.

"McDonald's Security Documents" means the McDonald's U.S. Stock Pledge Agreement, dated as of August 3, 2008, made by the Parent Guarantor and the other parties thereto in favor of McDonald's Latin America, the McDonald's Foreign Pledge Agreements and the McDonald's Deposit Pledge Agreement and any other agreement, instrument or document under which any Lien is granted to secure obligations under the Franchise Documents, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Net Debt to EBITDA Ratio" means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Total Net Indebtedness for such Person as of such date to Consolidated Adjusted EBITDA for such Person for the four most recent full fiscal quarters for which financial statements are available ending prior to the date of such determination (the "Four-Quarter Period").

For purposes of this definition, Consolidated Total Net Indebtedness and Consolidated Adjusted EBITDA will be calculated after giving effect on a pro forma basis in good faith for the period of such calculation for the following:

(1) the Incurrence, repayment or redemption of any Indebtedness (including Acquired Indebtedness) of such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor), and the application of the proceeds thereof, including the Incurrence of any Indebtedness (including Acquired Indebtedness), and the application of the proceeds thereof, giving rise to the need to make such determination, occurring during such Four-Quarter Period or at any time subsequent to the last day of such Four-Quarter Period and prior to or on such date of determination, to the extent, in the case of an Incurrence, such Indebtedness is outstanding on the date of determination, as if such Incurrence, and the application of the proceeds thereof, repayment or redemption occurred on the first day of such Four-Quarter Period; and

(2) any Asset Sale Transaction or Asset Acquisition by such Person or any of its Subsidiaries (Restricted Subsidiaries in the case of the Parent Guarantor), including any Asset Sale Transaction or Asset Acquisition giving rise to the need to make such determination, occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and prior to or on such date of determination, as if such Asset Sale Transaction or Asset Acquisition occurred on the first day of the Four-Quarter Period.

For purposes of making such *pro forma* computation, the amount of Indebtedness under any revolving credit facility will be computed based on:

(a) the average daily balance of such Indebtedness during such Four-Quarter Period; or

(b) if such facility was created after the end of such Four-Quarter Period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of such calculation,

in each case giving *pro forma* effect to any borrowings related to any transaction referred to in clause (2) above.

"Non-Guarantor Restricted Subsidiary" has the meaning assigned to it in Section 10.5.

"Non-U.S. Person" means a person who is not a U.S. person, as defined in Regulation S.

"Note Custodian" means the custodian with respect to any Global Note appointed by DTC, or any successor Person thereto, and shall initially be the Trustee.

"Note Guarantee" means the unconditional guarantee, on a joint and several basis, of the full and prompt payment of all obligations of the Company under this Indenture and the Notes, in accordance with the terms of Article X.

"Note Register" has the meaning assigned to it in Section 2.3(a).

"Notes" means, collectively, the Initial Notes and any Additional Notes issued under this Indenture.

"Notification Date" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Offering Memorandum" means the Company's offering memorandum dated April 21, 2022, used in connection with the Original Offering of Notes.

"Officer" means, when used in connection with any action to be taken by the Parent Guarantor, the Company or Subsidiary, the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Director of Corporate Finance, the Chief Legal Officer, the Treasurer or any Assistant Treasurer and the Secretary or any Assistant Secretary (or, in each case, the officers of the Company with equivalent positions).

"Officers' Certificate" means, when used in connection with any action to be taken by the Parent Guarantor, the Company or Subsidiary, a certificate signed by two Officers of the Parent Guarantor, the Company or such Subsidiary, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or counsel for the Company (except as otherwise provided in this Indenture), obtained at the expense of the Company, a Parent Guarantor Surviving Entity or Issuer Surviving Entity or a Subsidiary, and who is reasonably acceptable to the Trustee.

"Original Offering of Notes" means the original private offering of the Initial Notes, which were issued on the Issue Date.

"Outstanding" means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, *except*:

(1) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Notes, or portions thereof, for the payment, redemption or, in the case of a Change of Control Offer, purchase of, which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Parent Guarantor, the Company or an Affiliate of the Company) in trust or set aside and segregated in trust by the Parent Guarantor, the Company or an Affiliate of the Company (if the Parent Guarantor, the Company or such Affiliate of the Company is acting as Paying Agent) for the Holders of such Notes; *provided* that, if Notes (or portions thereof) are to be redeemed or purchased, notice of such redemption or purchase has been duly given pursuant to this Indenture or provision therefor reasonably satisfactory to the Trustee has been made;

(3) Notes which have been paid pursuant to Section 2.10(c) or which have been surrendered pursuant to Section 2.10 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a protected purchaser in whose hands such Notes are valid obligations of the Company; and

(4) Solely to the extent provided in Article VIII, Notes which are subject to Legal Defeasance or Covenant Defeasance as provided in Article VIII;

provided, however, that in determining whether the Holders of the requisite aggregate principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor under the Notes or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Trust Officer of the Trustee actually knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or of such other obligor.

"Parent Guarantor Surviving Entity" has the meaning set forth in Section 4.1(a).

"Paying Agent" has the meaning assigned to it in Section 2.3(a).

"Periodic Report" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Permitted Business" means the business or businesses conducted by the Parent Guarantor and its Restricted Subsidiaries as of the Issue Date and any business ancillary or complementary thereto.

"Permitted Holders" means (1) Woods W. Staton and any Related Party of Mr. Staton and (2) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned directly or indirectly 51% or more by Persons specified in clause (1).

"Permitted Indebtedness" has the meaning assigned to it in Section 3.9(b).

"Permitted Investments" means:

(1) Investments by the Parent Guarantor or any Restricted Subsidiary in any Person that is, or that result in any Person becoming, immediately after such Investment, a Restricted Subsidiary or constituting a merger or consolidation of such Person into the Parent Guarantor or with or into a Restricted Subsidiary; provided that such Person is engaged solely in a Permitted Business;

(2) Investments by any Restricted Subsidiary in the Parent Guarantor;

(3) Investments in cash and Cash Equivalents;

(4) Investments in existence on the Issue Date;

(5) any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind pursuant to the terms of such Investment as of the Issue Date);

(6) Investments received as a result of the bankruptcy or reorganization of any Person or taken in settlement of or other resolution of claims or disputes, and, in each case, extensions, modifications and renewals thereof;

(7) Investments made by the Parent Guarantor or its Restricted Subsidiaries as a result of non-cash consideration received in connection with an Asset Sale;

(8) Investments in the form of Hedging Obligations permitted under Section 3.9(b)(iii);

(9) receivables owing to the Parent Guarantor or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided that such trade terms may include such concessionary trade terms as the Parent Guarantor or any such Restricted Subsidiary deems reasonable under the circumstances and that are consistent with industry practice;

(10) Investments arising as a result of any Permitted Receivables Financing;

(11) any Investment acquired solely in exchange for Qualified Capital Stock of the Parent Guarantor;

(12) [Reserved]

(13) payroll, travel, moving and other loans or advances to, or Guarantees issued to support the obligations of, officers and employees, in each case in the ordinary course of business;

(14) extensions of credit and prepayment of expenses to customers, suppliers, utility providers, licensees, franchisees and other trade creditors in the ordinary course of business consistent with past practice;

(15) any Investment in any Subsidiary or any joint venture in connection with intercompany cash management arrangements or related activities arising in the ordinary course of business consistent with past practice;

(16) Investments in the nature of deposits with respect to leases provided to third parties in the ordinary course of business;

(17) Investments in negotiable instruments received in the ordinary course and held for collection;

(18) Investments by the Parent Guarantor or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (18), in an aggregate amount at the time of such Investment not to exceed the greater of U.S.$75,000,000 and 5% of Total Assets at the time of Investment (or the equivalent in other currencies), outstanding at any one time (with the Fair Market Value of each such Investment being measured at the time made and without giving effect to subsequent changes in value); provided that any Person in which such Investments are made is engaged solely in a Permitted Business.

"Permitted Liens" means any of the following Liens:

(1) Liens existing on the Issue Date and any extension, renewal or replacement thereof;

(2) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen and other Liens imposed by law incurred in the ordinary course of business for sums not yet delinquent or being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(3) (a) licenses, sublicenses, leases or subleases granted by the Parent Guarantor or any of its Restricted Subsidiaries to other Persons not materially interfering with the conduct of the business of the Parent Guarantor or any of its Restricted Subsidiaries and (b) any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Indenture to which the Parent Guarantor or any Restricted Subsidiary is a party;

(4) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, customs duties, bids, leases, government performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(5) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(6) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to any Person in the ordinary course of business of the Parent Guarantor or any of its Restricted Subsidiaries;

(7) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof;

(8) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Parent Guarantor or a Restricted Subsidiary, including rights of offset and set-off;

(9) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings, *provided* that appropriate reserves required pursuant to GAAP have been made in respect thereof;

(10) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of such Person or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) deposits in the ordinary course of business securing liability for reimbursement obligations of insurance carriers providing insurance to the Parent Guarantor or its Restricted Subsidiaries and any Liens thereon;

(12) judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired;

(13) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution or, in respect of the Company, arising under Article 24 or 25 of the general terms and conditions (*Algemene Bankvoorwaarden*) of any member of the Dutch Bankers' Association (*Nederlandse Vereniging van Banken*) or any similar term applied by a financial institution in the Netherlands pursuant to its general terms and conditions;

(14) Liens securing Hedging Obligations;

(15) Liens to secure any Refinancing Indebtedness which is Incurred to Refinance any Indebtedness which has been Incurred in accordance with Section 3.9 and which has been secured by a Lien permitted under the covenant described under Section 3.8 not incurred pursuant to clause (18) or (20); *provided* that such new Liens:

(a) are no less favorable to the Holders of Notes and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being Refinanced; and

(b) do not extend to any property or assets other than the property or assets securing the Indebtedness Refinanced by such Refinancing Indebtedness;

(16) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Parent Guarantor or another Restricted Subsidiary;

(17) Liens securing Acquired Indebtedness Incurred in accordance with Section 3.9 not incurred in connection with, or in anticipation or contemplation of, the relevant acquisition, merger or consolidation; *provided* that

(a) such Liens secured such Acquired Indebtedness at the time of and prior to the Incurrence of such Acquired Indebtedness by the Parent Guarantor or a Restricted Subsidiary and were not granted in connection with, or in anticipation of the Incurrence of such Acquired Indebtedness by the Parent Guarantor or a Restricted Subsidiary; and

(b) such Liens do not extend to or cover any property of the Parent Guarantor or any Restricted Subsidiary other than the property that secured the Acquired Indebtedness prior to the time such Indebtedness became Acquired Indebtedness of the Parent Guarantor or a Restricted Subsidiary and are no more favorable to the lienholders than the Liens securing the Acquired Indebtedness prior to the Incurrence of such Acquired Indebtedness by the Parent Guarantor or a Restricted Subsidiary;

(18) purchase money Liens securing Purchase Money Indebtedness or Capitalized Lease Obligations Incurred to finance the acquisition or leasing of property of the Parent Guarantor or a Restricted Subsidiary used in a Permitted Business; *provided* that:

(a) the related Purchase Money Indebtedness does not exceed the cost of such property and will not be secured by any property of the Parent Guarantor or any Restricted Subsidiary other than the property so acquired; and

(b) the Lien securing such Indebtedness will be created within 365 days of such acquisition;

(19) Liens securing an amount of Indebtedness outstanding at any one time (together with any Sale and Lease-Back Transaction (as defined below) that would otherwise be prohibited by Section 3.12 of this Indenture) not to exceed the greater of (a) U.S.$175,000,000 (or the equivalent in other currencies) or (b) 15% of Consolidated Net Tangible Assets;

(20) Liens under the L/C Documents;

(21) Liens in favor of McDonald's Latin America created pursuant to the McDonald's Security Documents and the McDonald's Mortgages;

(22) the interest of McDonald's Latin America, as franchisor under the Franchise Documents;

(23) Liens on Capital Stock of Unrestricted Subsidiaries;

(24) Any Liens, including any netting or set-off, created by operation of law as a result of a fiscal unity (*fiscale eenheid*) for Dutch tax purposes; and

(25) Liens arising under any Permitted Receivables Financing.

"Permitted Receivables Financing" means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires Accounts Receivable of the Parent Guarantor or any Restricted Subsidiaries and enters into a third-party financing thereof on terms that the Board of Directors has concluded are customary and market terms fair to the Parent Guarantor and its Restricted Subsidiaries.

"Person" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Preferred Stock" means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Private Placement Legend" has the meaning assigned to it in Section 2.8(b).

"Purchase Money Indebtedness" means Indebtedness Incurred for the purpose of financing all or any part of the purchase price, or other cost of construction or improvement of any property; *provided* that the aggregate principal amount of such Indebtedness does not exceed such purchase price or cost, including any Refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of the Refinancing.

"QIB" means any "qualified institutional buyer" (as defined in Rule 144A).

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Capital Stock that are not convertible into or exchangeable into Disqualified Capital Stock.

"Rating Agency" means (1) each of Fitch, Moody's and S&P; and (2) if any of Fitch, Moody's or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control, a "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by us as a replacement agency for Fitch, Moody's or S&P, as the case may be.

"Rating Downgrade Event" means the rating on the Notes is lowered from their rating then in effect as a result of any event or circumstance comprised of or arising as a result of, or in respect of, a Change of Control (or pending Change of Control) by at least two of the Rating Agencies on any date during the period (the "Trigger Period") from the date of the public announcement by the Company of a Change of Control (or pending Change of Control) until the end of the 60-day period following public announcement by the Company of the consummation of a Change of Control (which Trigger Period shall be extended following the consummation of the Change of Control so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies). In the event that less than two Rating Agencies are providing a rating for the Notes at the commencement of any Trigger Period, then a "Rating Downgrade Event" shall be deemed to have occurred during that Trigger Period. Notwithstanding the foregoing, no Rating Downgrade Event will be deemed to have occurred as a result of any event or circumstance comprised of or arising as a result of, or in respect of, a Change of Control unless and until such Change of Control has actually been consummated.

"Record Date" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Redemption Date" means, with respect to any redemption of Notes, the date fixed for such redemption pursuant to this Indenture and the Notes.

"Refinance" means, in respect of any Indebtedness, to issue any Indebtedness in exchange for or to refinance, replace, defease or refund such Indebtedness in whole or in part. "Refinanced" and "Refinancing" have correlative meanings.

"Refinancing Indebtedness" means Indebtedness of the Parent Guarantor or any Restricted Subsidiary issued to Refinance any other Indebtedness of the Parent Guarantor or a Restricted Subsidiary so long as:

(1) the aggregate principal amount (or initial accreted value, if applicable) of such new Indebtedness as of the date of such proposed Refinancing does not exceed the aggregate principal amount (or initial accreted value, if applicable) of the Indebtedness being Refinanced plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and the amount of reasonable expenses incurred by the Parent Guarantor or the Restricted Subsidiary in connection with such Refinancing;

(2) such new Indebtedness has:

(a) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; and

(b) a final maturity that is equal to or later than the final maturity of the Indebtedness being Refinanced; and

(3) if the Indebtedness being Refinanced is Subordinated Indebtedness, then such Refinancing Indebtedness will be subordinate to the Notes or any relevant Guarantee, if applicable, at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"Registrar" has the meaning assigned to it in Section 2.3(a).

"Regulation S" means Regulation S under the Securities Act or any successor regulation.

"Regulation S Global Note" has the meaning assigned to it in Section 2.1(e).

"Related Party" means, with respect to any Person, (1) any Subsidiary, spouse, descendant or other immediate family member (which includes any child, stepchild, parent, stepparent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law) (in the case of an individual), of such Person, (2) any estate, trust, corporation, partnership or other entity, the beneficiaries and stockholders, partners or owners of which consist solely of one or more Permitted Holders referred to in clause (1) of the definition thereof and /or such other Persons referred to in the immediately preceding clause (1), or (3) any executor, administrator, trustee, manager, director or other similar fiduciary of any Person referred to in the immediately preceding clause (2), acting solely in such capacity.

"Resale Restriction Termination Date" means, for any Restricted Note (or beneficial interest therein), one year (or such other period specified in Rule 144(k)) from the Issue Date or, if any Additional Notes that are Restricted Notes have been issued before the Resale Restriction Termination Date for any Restricted Notes, from the latest such original issue date of such Additional Notes.

"Restricted Note" means any Initial Note (or beneficial interest therein) or any Additional Note (or beneficial interest therein), until such time as:

(1) the Resale Restriction Termination Date therefor has passed;

(2) such Note is a Regulation S Global Note and the Distribution Compliance Period therefor has terminated; or

(3) the Private Placement Legend therefor has otherwise been removed pursuant to Section 2.9(d) or, in the case of a beneficial interest in a Global Note, such beneficial interest has been exchanged for an interest in a Global Note not bearing a Private Placement Legend.

"Restricted Payment" has the meaning assigned to it in Section 3.10(a).

"Restricted Subsidiary" means any Subsidiary of the Parent Guarantor (including, for the avoidance of doubt, the Company) which at the time of determination is not an Unrestricted Subsidiary.

"Reversion Date" has the meaning assigned to it in Section 3.16(b).

"Revocation" has the meaning assigned to it in Section 3.11(c).

"Rule 144" means Rule 144 under the Securities Act (or any successor rule).

"Rule 144A" means Rule 144A under the Securities Act (or any successor rule).

"Rule 144A Global Note" has the meaning assigned to it in Section 2.1(d).

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Parent Guarantor or a Restricted Subsidiary of any property, whether owned by the Parent Guarantor or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Parent Guarantor or such Restricted Subsidiary to such Person or to any other Person by whom funds have been or are to be advanced on the security of such Property.

"Satisfaction Notification" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Secured Restricted Real Estate" means the real estate listed on Schedule II to this Indenture.

"Securitization Subsidiary" means a Subsidiary of the Parent Guarantor:

(1) that is designated a "Securitization Subsidiary" by the Board of Directors,

(2) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity necessary, incidental or related thereto,

(3) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which

(a) is Guaranteed by the Parent Guarantor or any Restricted Subsidiary,

(b) is recourse to or obligates the Parent Guarantor or any Restricted Subsidiary, or

(c) subjects any property or asset of the Parent Guarantor or any Restricted Subsidiary of the Parent Guarantor, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(4) with respect to which neither the Parent Guarantor nor any Restricted Subsidiary of the Parent Guarantor (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve its financial condition or cause it to achieve certain levels of operating results

other than, in respect of clauses (3) and (4), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

"Significant Subsidiary" means a Restricted Subsidiary of the Parent Guarantor that would constitute a "Significant Subsidiary" of the Parent Guarantor in accordance with Rule 1-02 under Regulation S-X under the Securities Act in effect on the Issue Date.

"Special Record Date" has the meaning assigned to it in Section 2.13(a).

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subordinated Indebtedness" means, with respect to the Parent Guarantor or any Restricted Subsidiary, any Indebtedness of the Parent Guarantor or such Restricted Subsidiary, as the case may be, which is expressly subordinated in right of payment to the Notes or the relevant Note Guarantee, as the case may be.

"Subsequent Rate of Interest" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Subsidiary" means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

"Subsidiary Guarantor" means the Subsidiaries signatories to this Indenture on the Issue Date and any that execute Supplemental Indentures hereto after the Issue Date.

"Suspended Covenants" has the meaning assigned to it in Section 3.17(a).

"Sustainable Financing Framework" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Sustainability Performance Targets" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Suspension Period" has the meaning assigned to it in Section 3.17(c).

"S&P" means Standard & Poor's Rating Service or any successor thereto.

"Target Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2)" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Target Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3)" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"TCO_2Eq" has the meaning assigned to it in the Form of Face of Note contained in Exhibit A.

"Total Assets" means the total consolidated assets of the Parent Guarantor and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Parent Guarantor provided to the Trustee pursuant to Section 3.13 (or required to be provided thereunder), calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by the Parent Guarantor and its Restricted Subsidiaries subsequent to such date and on or prior to the date of determination.

"Transfer Agent" has the meaning assigned to it in Section 2.3(a).

"Trustee" means the party named as such in the introductory paragraph of this Indenture until a successor replaces it in accordance with the terms of this Indenture and, thereafter, means the successor.

"Trust Officer" means, when used with respect to the Trustee, any officer within the corporate trust department (or any successor group of the Trustee) of the Trustee, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject, in each case having direct responsibility for the administration of this Indenture.

"Unlevered Subsidiary" means any Subsidiary that has not more than U.S.$10,000,000 of outstanding Indebtedness Incurred after the Issue Date.

"Unrestricted Subsidiary" means any Subsidiary of the Parent Guarantor Designated as an Unrestricted Subsidiary pursuant to Section 3.11. Any such Designation may be revoked by a Board Resolution of the Company, subject to the provisions of such covenant.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"U.S. Dollars" or "U.S.$" means such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

"Venezuelan Subsidiary" means any direct or indirect Subsidiary of the Parent Guarantor that generates more than 50% of its revenues or holds more than 50% of its total assets in Venezuela.

"Voting Stock" means, with respect to any Person, securities of any class of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person. The term "normally entitled" means without regard to any contingency.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years (calculated to the nearest one twelfth) obtained by dividing:

(1) the then outstanding aggregate principal amount or liquidation preferences, as the case may be, of such Indebtedness into

(2) the sum of the products obtained by multiplying:

(a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by

(b) the number of years (calculated to the nearest one twelfth) which will elapse between such date and the making of such payment.

Section 1.2 Rules of Construction. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) "including" means including without limitation;

(5) words in the singular include the plural and words in the plural include the singular;

(6) references to the payment of principal of the Notes shall include applicable premium, if any;

(7) references to payments on the Notes shall include Additional Amounts payable on the Notes, if any;

(8) all references to Sections or Articles refer to Sections or Articles of this Indenture;

(9) references to any law are to be construed as including all statutory and regulatory provisions or rules consolidating, amending, replacing, supplementing or implementing such law; and

(10) the term "obligor," when used with respect to the Notes, means the Company and any other obligor as of the date of this Indenture.

ARTICLE II

THE NOTES

Section 2.1 Form and Dating.

(a) The Initial Notes are being originally issued by the Company on the Issue Date. The Notes shall be issued in fully registered certificated global form without coupon, and in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes and the certificate of authentication shall be substantially in the form of Exhibit A.

(b) The terms and provisions of the Notes, the form of which is in Exhibit A, shall constitute, and are hereby expressly made, a part of this Indenture, and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture expressly agree to such terms and provisions and to be bound thereby. Except as otherwise expressly permitted in this Indenture, all Notes shall be identical in all respects. Notwithstanding any differences among them, all Notes issued under this Indenture shall vote and consent together on all matters as one class.

(c) The Notes may have notations, legends or endorsements as specified in Section 2.8 or as otherwise required by law, stock exchange rule or DTC rule or usage. The Company and the Trustee shall approve the form of the Notes and any notation, legend or endorsement on them. Each Note shall be dated the date of its authentication.

(d) Notes originally offered and sold to QIBs in reliance on Rule 144A shall be represented by a single permanent global certificate (which may be subdivided) without interest coupons (each, a "Rule 144A Global Note").

(e) Notes originally offered and sold outside the United States of America in reliance on Regulation S shall be represented by a single permanent global certificate (which may be subdivided) without interest coupons (each, a "Regulation S Global Note").

Section 2.2 Execution and Authentication.

(a) An Officer shall sign the Notes for the Company by manual or facsimile signature. If an Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.

(b) A Note shall not be valid until an authorized signatory of the Trustee manually authenticates the Note. The signature of the Trustee on the certificate of authentication on a Note shall be conclusive evidence that such Note has been duly and validly authenticated and issued under this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Trustee shall authenticate and make available for delivery Notes upon a written order of the Company signed by an Officer of the Company (the "Company Order"). A Company Order shall specify the amount of the Notes to be authenticated and the date on which such original issue of Notes is to be authenticated.

(d) The Trustee may appoint an agent (the "Authenticating Agent") reasonably acceptable to the Company to authenticate the Notes. Unless limited by the terms of such appointment, any such Authenticating Agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by the Authenticating Agent.

(e) In case a Surviving Entity has executed an indenture supplemental hereto with the Trustee pursuant to Article IV, any of the Notes authenticated or delivered prior to such transaction may, from time to time, at the request of the Surviving Entity, be exchanged for other Notes executed in the name of the Surviving Entity with such changes in phraseology and form as may be appropriate, but otherwise identical to the Notes surrendered for such exchange and of like principal amount; and the Trustee, upon Company Order of the Surviving Entity, shall authenticate and deliver Notes as specified in such order for the purpose of such exchange. If Notes shall at any time be authenticated and delivered in any new name of a Surviving Entity pursuant to this Section 2.2 in exchange or substitution for or upon registration of transfer of any Notes, such Surviving Entity, at the option of the Holders but without expense to them, shall provide for the exchange of all Notes at the time Outstanding for Notes authenticated and delivered in such new name.

Section 2.3 Registrar, Transfer Agent and Paying Agent.

(a) The Company shall maintain an office or agency in the Borough of Manhattan, City of New York, where Notes may be presented or surrendered for registration of transfer or for exchange (the "Registrar" and "Transfer Agent," respectively) and where Notes may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange (the "Note Register"). The Company may have one or more co-Registrars and one or more additional paying agents or transfer agents. The terms "Paying Agent" and "Transfer Agent" include any additional paying agent and any additional transfer agent, as the case may be.

(b) The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent or co-Registrar not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of each such agent. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7. The Company may act as Paying Agent, Registrar, co-Registrar or Transfer Agent.

(c) The Company initially appoints the Trustee as Registrar, Paying Agent and Transfer Agent (and the Trustee hereby accepts such appointment), until such time as another Person is appointed as such, and Banque Internationale à Luxembourg, société anonyme, as Luxembourg Paying Agent (and Banque Internationale à Luxembourg, société anonyme, hereby accepts such appointment), until such time as another Person is appointed as such.

(d) The Company may change the Registrar, Paying Agent and Transfer Agent without notice to Holders.

Section 2.4 Paying Agent to Hold Money in Trust. The Company shall require each Paying Agent (other than the Trustee) to agree that such Paying Agent shall hold in trust separate and apart from, and not commingle with any other properties, for the benefit of Holders or the Trustee all money held by such Paying Agent for the payment of principal of or interest on the Notes (whether such money has been distributed to it by the Company or any other obligor of the Notes) in accordance with the terms of this Indenture and shall notify the Trustee in writing of any Default by the Company or any Guarantor (or any other obligor on the Notes) in making any such payment. If the Company or an Affiliate of the Company or any Guarantor acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent (other than the Trustee) to pay all money held by it to the Trustee and to account for any funds disbursed by such Paying Agent. The Paying Agent shall not hold any money under this Indenture in the British Virgin Islands, nor will the Paying Agent under this Indenture be a British Virgin Islands entity at any time. Upon complying with this Section 2.4, the Paying Agent (if other than the Company) shall have no further liability for the money delivered to the Trustee. Upon any proceeding under any Bankruptcy Law with respect to the Company or any Affiliate of the Company or any Guarantor, if the Company, a Guarantor or such Affiliate, is then acting as Paying Agent, the Trustee shall replace the Company, such Guarantor or such Affiliate as Paying Agent.

The receipt by the Paying Agent or the Trustee from the Company of each payment of principal, interest and/or other amounts due in respect of the Notes in the manner specified herein and on the date on which such amount of principal, interest and/or other amounts are then due, shall satisfy the obligations of the Company herein and under the Notes to make such payment to the Holders on the due date thereof; *provided, however*, that the liability of any Paying Agent hereunder shall not exceed any amounts paid to it by the Company, or held by it, on behalf of the Holders under this Indenture. Notwithstanding the preceding sentence or any other provision of this Indenture to the contrary, the Company shall indemnify the Holders in the event that there is subsequent failure by the Trustee or any Paying Agent to pay any amount due in respect of the Notes in accordance with the Notes and this Indenture as shall result in the receipt by the Holders of such amounts as would have been received by them had no such failure occurred.

Section 2.5 CUSIP and ISIN Numbers. In issuing the Notes, the Company may use CUSIP and ISIN numbers (if then generally in use) and, if so, the Trustee shall use CUSIP and ISIN numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee in writing of any initial CUSIP and/or ISIN numbers and any change in the CUSIP or ISIN numbers.

Section 2.6 Holder Lists. The Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee, in writing at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may reasonably request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

Section 2.7 Global Note Provisions.

(a) Each Global Note initially shall: (i) be registered in the name of DTC or the nominee of DTC; (ii) be delivered to the Note Custodian; and (iii) bear the appropriate legend, as set forth in Section 2.8 and Exhibit A. Any Global Note may be represented by more than one certificate. The aggregate principal amount of each Global Note may from time to time be increased or decreased by adjustments made on the records of the Note Custodian, as provided in this Indenture.

(b) Members of, or participants in, DTC ("Agent Members") shall have no rights under this Indenture with respect to any Global Note held on their behalf by DTC or by the Note Custodian under such Global Note, and DTC may be treated by the Company, the Trustee, the Paying Agent and the Registrar and any of their agents as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee, the Paying Agent or the Registrar or any of their agents from giving effect to any written certification, proxy or other authorization furnished by DTC. The registered Holder of a Global Note may grant proxies and otherwise authorize any person, including Agent Members and persons that may hold interests through Agent Members, to take any action that a Holder is entitled to take under this Indenture or the Notes.

(c) Except as provided below, owners of beneficial interests in Global Notes shall not be entitled to receive Certificated Notes. Global Notes shall be exchangeable for Certificated Notes only in the following limited circumstances:

(i) DTC notifies the Company that it is unwilling or unable to continue as depositary for such Global Note or DTC ceases to be a clearing agency registered under the Exchange Act, at a time when DTC is required to be so registered in order to act as depositary, and in each case a successor depositary is not appointed by the Company within 90 days of such notice;

(ii) the Company executes and delivers to the Trustee and Registrar an Officers' Certificate stating that such Global Note shall be so exchangeable; or

(iii) an Event of Default has occurred and is continuing with respect to the Notes.

In connection with the exchange of an entire Global Note for Certificated Notes pursuant to this Section 2.7(c), such Global Note shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and upon Company Order the Trustee shall authenticate and deliver, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Global Note, an equal aggregate principal amount of Certificated Notes of authorized denominations.

Section 2.8 Legends.

(a) Each Global Note shall bear the legend specified therefor in Exhibit A on the face thereof.

(b) Each Restricted Note shall bear the private placement legend specified therefor in Exhibit A on the face thereof (the "Private Placement Legend").

Section 2.9 Transfer and Exchange.

The following provisions shall apply with respect to any proposed transfer of an interest in a Rule 144A Global Note that is a Restricted Note:

(a) If (1) the owner of a beneficial interest in a Rule 144A Global Note wishes to transfer such interest (or portion thereof) to a Non-U.S. Person pursuant to Regulation S and (2) such Non-U.S. Person wishes to hold its interest in the Notes through a beneficial interest in the Regulation S Global Note, subject to the rules and procedures of DTC, upon receipt by the Note Custodian and Registrar of:

(i) instructions from the Holder of the Rule 144A Global Note directing the Note Custodian and Registrar to credit or cause to be credited a beneficial interest in the Regulation S Global Note equal to the principal amount of the beneficial interest in the Rule 144A Global Note to be transferred; and

(ii) a certificate in the form of Exhibit C from the transferor,

the Note Custodian and Registrar shall increase the Regulation S Global Note and decrease the Rule 144A Global Note by such amount in accordance with the foregoing.

(b) If the owner of a beneficial interest in a Regulation S Global Note wishes to transfer such interest (or any portion thereof) to a QIB pursuant to Rule 144A prior to the expiration of the Distribution Compliance Period therefor, subject to the rules and procedures of DTC, upon receipt by the Note Custodian and Registrar of:

(i) instructions from the Holder of the Regulation S Global Note directing the Note Custodian and Registrar to credit or cause to be credited a beneficial interest in the Rule 144A Global Note equal to the principal amount of the beneficial interest in the Regulation S Global Note to be transferred; and

(ii) a certificate in the form of Exhibit B duly executed by the transferor,

the Note Custodian and Registrar shall increase the Rule 144A Global Note and decrease the Regulation S Global Note by such amount in accordance with the foregoing.

(c) Other Transfers. Any transfer of Restricted Notes not described in Section 2.9 (other than a transfer of a beneficial interest in a Global Note that does not involve an exchange of such interest for a Certificated Note or a beneficial interest in another Global Note, which must be effected in accordance with applicable law and the rules and procedures of DTC, but is not subject to any procedure required by this Indenture) shall be made only upon receipt by the Company, the Trustee and the Registrar of such Opinions of Counsel, certificates and/or other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act or in accordance with Section 2.9(d).

(d) Use and Removal of Private Placement Legends. Upon the registration of transfer, exchange or replacement of Notes (or beneficial interests in a Global Note) not bearing (or not required to bear upon such registration of transfer, exchange or replacement) a Private Placement Legend, the Note Custodian and Registrar shall exchange such Notes (or beneficial interests) for beneficial interests in a Global Note (or Certificated Notes if they have been issued pursuant to Section 2.7(c)) that does not bear a Private Placement Legend. Upon the transfer, exchange or replacement of Notes (or beneficial interests in a Global Note) bearing a Private Placement Legend, the Note Custodian and Registrar shall deliver only Notes (or beneficial interests in a Global Note) that bear a Private Placement Legend unless:

(i) such Notes (or beneficial interests) are transferred pursuant to Rule 144 upon delivery to the Registrar of a certificate of the transferor in the form of Exhibit D and an Opinion of Counsel reasonably satisfactory to the Registrar;

(ii) a transfer of such Notes is made pursuant to an effective Shelf Registration Statement, in which case the Private Placement Legend shall be removed from such Note so transferred at the request of the Holder; or

(iii) in connection with such registration of transfer, exchange or replacement the Registrar shall have received an Opinion of Counsel addressed to it, the Trustee and the Company and other evidence reasonably satisfactory to the Company to the effect that neither such Private Placement Legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

The Private Placement Legend on any Rule 144A Global Note shall be removed only at the option of the Company. The Private Placement Legend on any Regulation S Global Note shall be removed at the request of the Holder after the Distribution Compliance Period therefore has ended. The Holder of a Global Note may exchange an interest therein for an equivalent interest in a Global Note not bearing a Private Placement Legend (other than a Regulation S Global Note) upon transfer of such interest pursuant to any of clauses (i) through (iv) of this Section 2.9(d).

(e) Consolidation of Global Notes. Nothing in this Indenture shall provide for the consolidation of any Notes with any other Notes unless they constitute, as determined pursuant to an Opinion of Counsel, the same classes of securities for U.S. federal income tax purposes.

(f) Retention of Documents. The Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Article II. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(g) Execution, Authentication of Notes, etc.

(i) Subject to the other provisions of this Section 2.9 when Notes are presented to the Registrar or a co-Registrar with a request to register the transfer of such Notes or to exchange such Notes for an equal principal amount of Notes of other authorized denominations, the Registrar or co-Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; *provided* that any Notes presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Company and to the Registrar or co-Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfers and exchanges and subject to the other terms and conditions of this Article II, the Company shall execute and upon Company Order the Trustee shall authenticate Certificated Notes and Global Notes at the Registrar's or co-Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company, the Registrar, or the Trustee may require payment of a sum sufficient to cover any transfer tax, assessment, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charges payable upon exchange or transfer pursuant to Section 3.7).

(iii) The Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Note for a period beginning: (1) 15 days before the mailing of a notice of an offer to repurchase or redeem Notes and ending at the close of business on the day of such mailing; or (2) 15 days before an Interest Payment Date and ending on such Interest Payment Date.

(iv) Prior to the due presentation for registration of transfer of any Note, the Company, the Trustee, the Paying Agent, the Registrar or any co-Registrar may deem and treat the person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-Registrar shall be affected by notice to the contrary.

(v) All Notes issued upon any registration of transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such registration of transfer or exchange.

(vi) The Registrar shall be entitled to request such evidence reasonably satisfactory to it documenting the identity and/or signatures of the transferor and the transferee.

(h) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of an interest in a Global Note, a member of, or a participant in, DTC or other Person with respect to the accuracy of the records of DTC or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than DTC) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Notes (or other security or property) under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Notes shall be given or made only to or upon the order of the registered Holders (which shall be DTC or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through DTC subject to the applicable rules and procedures of DTC. The Trustee may conclusively rely and shall be fully protected in conclusively relying upon information furnished by DTC with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer or exchange imposed under this Indenture or under applicable law with respect to any transfer or exchange of any interest in any Note (including any transfers between or among DTC participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the express terms of this Indenture, to examine the same to determine if it substantially complies on its face as to form with the express requirements hereof, and to notify the party delivering the same if the certificate does not so comply.

Section 2.10 Mutilated, Destroyed, Lost or Stolen Notes.

(a) If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken and if the requirements of Section 8-405 of the Uniform Commercial Code of the State of New York are met, the Company shall execute and upon Company Order the Trustee shall authenticate a replacement Note if the Holder satisfies any other reasonable requirements of the Trustee. Such Holder shall furnish an affidavit of loss and indemnity bond sufficient in the judgment of the Company and the Trustee to protect the Company, the Trustee, the Paying Agent, the Registrar and any co-Registrar from any loss that any of them may suffer if a Note is replaced, and, in the absence of notice to the Company or a Trust Officer of the Trustee that such Note has been acquired by a protected purchaser (as defined in Section 8-303 of the Uniform Commercial Code of the State of New York), the Company shall execute and upon Company Order the Trustee shall authenticate and make available for delivery, in exchange for any such mutilated Note or in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

(b) Upon the issuance of any new Note under this Section 2.10, the Company, the Trustee and the Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Company's counsel, the Trustee and its counsel) in connection therewith.

(c) In case any mutilated, destroyed or wrongfully taken Note has become or is about to become due and payable, the Company may, in its discretion, pay such Notes instead of issuing a new Note in replacement thereof.

(d) Every new Note issued pursuant to this Section 2.10 in exchange for any mutilated Note, or in lieu of any destroyed, lost or stolen Note, shall constitute an original additional contractual obligation of the Company and any other obligor upon the Notes, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(e) The provisions of this Section 2.10 shall be exclusive and shall be in lieu of, to the fullest extent permitted by applicable law, all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.11 Temporary Notes. Until definitive Notes are ready for delivery, the Company may execute and upon Company Order the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and execute and upon Company Order the Trustee shall authenticate definitive Notes. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at any office or agency maintained by the Company for that purpose and such exchange shall be without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Company shall execute and upon Company Order the Trustee shall authenticate and make available for delivery in exchange therefor one or more definitive Notes representing an equal principal amount of Notes. Until so exchanged, the Holder of temporary Notes shall in all respects be entitled to the same benefits under this Indenture as a Holder of definitive Notes.

Section 2.12 Cancellation. The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel and dispose of cancelled Notes in accordance with its customary procedures or return to the Company all Notes surrendered for registration of transfer, exchange, payment or cancellation. Subject to Section 2.10, the Company may not issue new Notes to replace Notes it has paid or delivered to the Trustee for cancellation for any reason other than in connection with a transfer or exchange upon Company Order.

Section 2.13 Defaulted Interest. When any installment of interest becomes Defaulted Interest, such installment shall forthwith cease to be payable to the Holders in whose names the Notes were registered on the Record Date applicable to such installment of interest. Defaulted Interest (including any interest on such Defaulted Interest) may be paid by the Company, at its election, as provided in Section 2.13(a) or Section 2.13(b).

(a) The Company may elect to make payment of any Defaulted Interest (including any interest on such Defaulted Interest) to the Holders in whose names the Notes are registered at the close of business on a special record date for the payment of such Defaulted Interest (a "Special Record Date"), which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Holders entitled to such Defaulted Interest as provided in this Section 2.13(a). Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest, which shall be not more than 15 calendar days and not less than ten calendar days prior to the date of the proposed payment and not less than ten calendar days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be sent, first-class mail, postage prepaid, to each Holder at such Holder's address as it appears in the registration books of the Registrar, not less than ten calendar days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Holders in whose names the Notes are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to Section 2.13(b).

(b) Alternatively, the Company may make payment of any Defaulted Interest (including any interest on such Defaulted Interest) in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Section 2.13(b) such manner of payment shall be deemed practicable by the Trustee.

Section 2.14 Additional Notes. The Company may, from time to time, subject to compliance with any other applicable provisions of this Indenture, without the consent of the Holders, create and issue pursuant to this Indenture Additional Notes having terms and conditions set forth in Exhibit A identical to those of the Initial Notes, except that Additional Notes:

(a) may have a different issue price, issue date and, if applicable, date from which the interest shall accrue from the Initial Notes;

(b) may have a different amount of interest payable on the first Interest Payment Date after issuance than is payable on the Initial Notes; and

(c) may have terms specified in the Additional Note Board Resolution or Additional Note Supplemental Indenture for such Additional Notes making appropriate adjustments to this Article II and Exhibit A (and related definitions) applicable to such Additional Notes in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws). Unless such Additional Notes are fungible with the Initial Notes for U.S. federal income tax purposes, such Additional Notes shall be issued with a separate CUSIP number.

ARTICLE III

COVENANTS

Section 3.1 Payment of Notes.

(a) The Company shall pay the principal of and interest (including Defaulted Interest) on the Notes in U.S. Dollars on the dates and in the manner provided in the Notes and in this Indenture. Prior to 11:00 a.m. (New York City time) on the Business Day prior to each Interest Payment Date and the Maturity Date, the Company shall deposit with the Paying Agent in immediately available funds U.S. Dollars sufficient to make cash payments due on such Interest Payment Date or Maturity Date, as the case may be. If the Company or an Affiliate of the Company is acting as Paying Agent, the Company or such Affiliate shall, prior to 11:00 a.m. (New York City time) on each Interest Payment Date and the Maturity Date, segregate and hold in trust U.S. Dollars sufficient to make cash payments due on such Interest Payment Date or Maturity Date, as the case may be. Principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent (other than the Company or an Affiliate of the Company) holds in accordance with this Indenture U.S. Dollars designated for and sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture. Notwithstanding the foregoing, the Company may elect to make the payments of interest by check mailed to the registered Holders at their registered addresses.

(b) If a Holder of Certificated Notes in an aggregate principal amount of at least U.S.$1,000,000 has given wire transfer instructions to the Company and the Trustee, the Trustee, as Paying Agent, shall make all principal and interest payments on those Notes in accordance with such instructions.

(c) Notwithstanding anything to the contrary contained in this Indenture, the Company may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by the United States of America from principal or interest payments hereunder.

Section 3.2 Maintenance of Office or Agency.

(a) The Company shall maintain each office or agency required under Section 2.3 where Notes may be presented or surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency.

(b) The Company may also from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York. The Company shall give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such other office or agency.

Section 3.3 Corporate Existence. Subject to Article IV, (i) the Parent Guarantor shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and good standing under the BVI Business Companies Act, 2004, and (ii) the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and good standing under the Dutch law.

Section 3.4 Payment of Taxes. The Parent Guarantor shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges (including stamp, issuance or transfer or similarly documentary taxes) or duties levied or imposed upon the Parent Guarantor or any Restricted Subsidiary or for which it or any of them are otherwise liable, or upon the income, profits or property of the Parent Guarantor or any Restricted Subsidiary, and the Company shall reimburse the Trustee and Holders for any fines, penalties or other fees they are required to pay as a result of the failure by the Parent Guarantor or any Restricted Subsidiary to pay or discharge any of the abovementioned taxes, assessments and government charges; *provided, however*, that, other than with respect to any taxes or duties described herein that would become payable by the Trustee or the Holders in the event the Parent Guarantor or any Restricted Subsidiary fails to pay such taxes or duties, the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment or charge whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which appropriate reserves, if necessary (in the good faith judgment of management of the Company), are being maintained in accordance with GAAP or where the failure to effect such payment shall not have a material adverse effect upon the financial condition of the Parent Guarantor and its Subsidiaries, taken as a whole, or on the performance of the Company's obligations hereunder.

Section 3.5 Further Instruments and Acts. The Parent Guarantor, the Company and each Subsidiary Guarantor shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper or as may be required by applicable law to carry out more effectively the purpose of this Indenture.

Section 3.6 Waiver of Stay, Extension or Usury Laws. The Parent Guarantor, the Company and each Subsidiary Guarantor covenants (to the fullest extent permitted by applicable law) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Parent Guarantor, the Company or such Subsidiary Guarantor from paying all or any portion of the principal of or interest on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture. The Parent Guarantor, the Company and each Subsidiary Guarantor hereby expressly waives (to the fullest extent permitted by applicable law) all benefit or advantage of any such law, and covenants that it shall not hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

Section 3.7 Change of Control.

(a) Upon the occurrence of a Change of Control Repurchase Event, the Company shall provide a Change of Control Notice and make an offer to purchase Notes (the "Change of Control Offer"), pursuant to which the Company shall be required, if requested by any Holder, to purchase all or a portion (in integral multiples of U.S.$1,000, *provided* that the principal amount of such Holder's Note shall not be less than U.S.$200,000) of such Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the purchase date (the "Change of Control Payment").

(b) On the Business Day immediately preceding the Change of Control Payment Date, the Company will, to the extent lawful, deposit with the Paying Agent funds in an amount equal to the Change of Control Payment, in respect of all Notes or portions thereof so tendered.

(c) On the Change of Control Payment Date, the Company shall, to the extent lawful:

(i) accept for payment all Notes or portions thereof properly tendered and not withdrawn pursuant to the Change of Control Offer; and

(ii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

(d) If only a portion of a Note is purchased pursuant to a Change of Control Offer, a new Note in a principal amount equal to the portion thereof not purchased shall be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note shall be made, as appropriate). Notes (or portions thereof) purchased pursuant to a Change of Control Offer shall be cancelled and cannot be reissued.

(e) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations thereunder in connection with the purchase of Notes in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with this Section 3.7, the Company shall comply with such securities laws and regulations and shall not be deemed to have breached its obligations under this Indenture by doing so.

(f) The Company shall not be required to make a Change of Control Offer upon a Change of Control Repurchase Event if (i) a third party makes the Change of Control Offer in compliance with the conditions and requirements of this Indenture and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (ii) prior to the date the Change of Control Offer is required to be made, the Company has given notice of redemption in respect of all of the Outstanding Notes in accordance with this Indenture.

(g) The provisions of this Section 3.7 shall be applicable whether or not any other provisions of this Indenture are applicable. The obligation of the Company to make an offer to purchase the Notes as a result of the occurrence of a Change of Control Repurchase Event may be waived or modified at any time prior to the occurrence of such Change of Control Repurchase Event with the written consent of Holders of a majority in principal amount of the Notes.

Section 3.8 Limitation on Liens.

The Parent Guarantor shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Liens of any kind (except for Permitted Liens) against or upon any of their respective properties or assets, whether owned on the Issue Date or acquired after the Issue Date, or any proceeds therefrom, to secure any Indebtedness, unless contemporaneously therewith effective provision is made to secure the Notes, the Note Guarantees and all other amounts due under this Indenture equally and ratably with such Indebtedness (or, in the event that such Indebtedness is subordinated in right of payment to the Notes or the Note Guarantees prior to such Indebtedness) with a Lien on the same properties and assets securing such Indebtedness for so long as such Indebtedness is secured by such Lien.

Section 3.9 Limitation on Incurrence of Additional Indebtedness.

(a) The Parent Guarantor shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) except that the Parent Guarantor and its Restricted Subsidiaries may Incur Indebtedness if, at the time of and immediately after giving *pro forma* effect to the Incurrence thereof and the application of the net proceeds therefrom, the Net Debt to EBITDA Ratio shall not exceed 3.5 to 1.0.

(b) Notwithstanding clause (a) above, the Parent Guarantor and its Restricted Subsidiaries, as applicable, may, at any time, Incur the following Indebtedness ("Permitted Indebtedness"):

(i) Indebtedness in respect of the Notes (excluding Additional Notes) and the Note Guarantees (including any Additional Notes);

(ii) other Indebtedness of the Parent Guarantor and its Restricted Subsidiaries outstanding on the Issue Date, other than Indebtedness otherwise specified under any clause of this definition of Permitted Indebtedness;

(iii) Hedging Obligations entered into by the Parent Guarantor and its Restricted Subsidiaries for bona fide hedging purposes and not for speculative purposes;

(iv) intercompany Indebtedness between the Parent Guarantor and any Restricted Subsidiaries or between any Restricted Subsidiaries; *provided* that in the event that at any time any such Indebtedness ceases to be held by the Parent Guarantor or a Restricted Subsidiary, such Indebtedness will be deemed to be Incurred by the Parent Guarantor or the relevant Restricted Subsidiary, as the case may be, and not permitted by this clause (iv) at the time such event occurs;

(v) [Reserved];

(vi) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;

(vii) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries represented by letters of credit for the account of the Parent Guarantor or any Restricted Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(viii) Indebtedness consisting of letters of credit, banker's acceptances, performance bonds, appeal bonds, surety bonds, customs bonds and other similar bonds and reimbursement obligations Incurred by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business securing the performance of contractual, franchise or license obligations of the Parent Guarantor or any Restricted Subsidiary (in each case, other than for an obligation for borrowed money);

(ix) Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries to the extent the net proceeds thereof are promptly used to redeem the Notes in full or deposited to defease or discharge the Notes, in each case in accordance with the Indenture;

(x) Refinancing Indebtedness in respect of:

(1) Indebtedness (other than Indebtedness owed to the Parent Guarantor or any Subsidiary of the Parent Guarantor) Incurred pursuant to clause (a) above (it being understood that no Indebtedness outstanding on the Issue Date is Incurred pursuant to such Section 3.9(a)); or

(2) Indebtedness Incurred pursuant to Section 3.9(b)(i), Section 3.9(b)(ii), Section 3.9(b)(x), Section 3.9(b)(xiii) and Section 3.9(b)(xiv) (excluding Indebtedness owed to the Parent Guarantor or a Subsidiary of the Parent Guarantor);

(xi) Indebtedness arising from agreements of the Parent Guarantor or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred in connection with the disposition of any business, assets or Subsidiary, other than Guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness will at no time exceed the gross proceeds actually received by the Parent Guarantor and the Restricted Subsidiary in connection with such disposition;

(xii) Indebtedness incurred pursuant to the Franchise Documents and the L/C Documents as in effect from time to time;

(xiii) the Guarantee by the Parent Guarantor, the Company or any Subsidiary Guarantor of Indebtedness of the Parent Guarantor or a Restricted Subsidiary of the Parent Guarantor that was permitted to be incurred by another provision of this covenant;

(xiv) Acquired Indebtedness, *provided* that after giving effect to the Incurrence thereof, (1) the Parent Guarantor could incur at least U.S.$1.00 of Indebtedness under the Net Debt to EBITDA Ratio pursuant to Section 3.9(a), or (2) the Net Debt to EBITDA Ratio would be no worse than such ratio immediately prior to such Incurrence;

(xv) the Incurrence by the Parent Guarantor, the Company or any Subsidiary Guarantor of any Indebtedness with a maturity less than 365 days and Incurred in the ordinary course of business for working capital purposes not to exceed the greater of U.S.$80,000,000 (or the equivalent in other currencies) and 5% of Total Assets of the Company at any one time;

(xvi) in addition to Indebtedness referred to in Section 3.9(b)(i) through Section 3.9(b)(xv), Indebtedness of the Parent Guarantor, the Company or any Subsidiary Guarantor in an aggregate principal amount at any one time outstanding not to exceed the greater of U.S.$200,000,000 (or the equivalent in other currencies) and 11% of Total Assets.

(c) [Reserved]

(d) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness Incurred pursuant to and in compliance with this covenant:

(i) the outstanding principal amount of any item of Indebtedness will be counted only once;

(ii) in the event that an item of Indebtedness meets the criteria of Section 3.9(a) or more than one of the categories of Permitted Indebtedness described in clauses Section 3.9(b)(i) through Section 3.9(b)(xvi), the Company may, in its sole discretion, divide and classify (or at any time reclassify) such item of Indebtedness in any manner that complies with this covenant;

(iii) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness, but may be permitted in part by such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;

(iv) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP;

(v) Guarantees of, or obligations in respect of letters of credit or similar instruments relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness will not be included; and

(vi) the accrual of interest, the accretion or amortization of original issue discount, the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Disqualified Capital Stock in the form of additional Disqualified Capital Stock with the same terms will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant; *provided* that any such outstanding additional Indebtedness or Disqualified Capital Stock paid in respect of Indebtedness Incurred pursuant to any provision of clause (b) above will be counted as Indebtedness outstanding thereunder for purposes of any future Incurrence under such provision.

(e) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a non-U.S. currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or, in the case of revolving credit Indebtedness, first committed; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a non-U.S. currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, will be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Section 3.10 Limitation on Restricted Payments.

(a) The Parent Guarantor shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, take any of the following actions (each, a "Restricted Payment"):

(i) declare or pay any dividend or return of capital or make any distribution on or in respect of shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary to holders of such Capital Stock, other than:

(1) dividends or distributions payable in Qualified Capital Stock of the Parent Guarantor or the Company;

(2) dividends or distributions payable to the Parent Guarantor and/or a Restricted Subsidiary; or

(3) dividends, distributions or returns of capital made on a *pro rata* basis to the Parent Guarantor and its Restricted Subsidiaries, on the one hand, and minority holders of Capital Stock of a Restricted Subsidiary, on the other hand (or on a less than *pro rata* basis to any minority holder);

(ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Parent Guarantor or the Company held by Persons other than the Parent Guarantor or any of its Restricted Subsidiaries;

(iii) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Subordinated Indebtedness; or

(iv) make any Investment (other than Permitted Investments);

if at the time of the Restricted Payment and immediately after giving *pro forma* effect thereto:

(A) a Default or an Event of Default has occurred and is continuing;

(B) the Parent Guarantor is not able to Incur at least U.S.$1.00 of additional Indebtedness pursuant to Section 3.9(a); or

(C) the aggregate amount (the amount expended for these purposes, if other than in cash, being the Fair Market Value of the relevant property) of the proposed Restricted Payment and all other Restricted Payments made subsequent to the Issue Date up to the date thereof will exceed the sum of:

(1) 100% of Consolidated Adjusted EBITDA of the Parent Guarantor from January 1, 2017 to the end of the most recent fiscal quarter for which consolidated financial information for the Parent Guarantor is available; *less*

(2) 150% of Consolidated Interest Expense of the Parent Guarantor from January 1, 2017 to the end of the most recent fiscal quarter for which consolidated financial information for the Parent Guarantor is available.

(b) Notwithstanding Section 3.10(a), this Section 3.10 does not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration of such dividend if the dividend would have been permitted on the date of declaration pursuant to Section 3.10(a);

(ii) the acquisition of any shares of Capital Stock of the Parent Guarantor or the Company,

(1) in exchange for Qualified Capital Stock of the Parent Guarantor or the Company, respectively; or

(2) through the application of the net cash proceeds received by the Parent Guarantor or the Company from a substantially concurrent sale of Qualified Capital Stock of the Parent Guarantor or the Company or a contribution to the equity capital of the Parent Guarantor or the Company not representing an interest in Disqualified Capital Stock, in each case not received from a Subsidiary of the Parent Guarantor;

(iii) the voluntary prepayment, purchase, defeasance, redemption or other acquisition or retirement for value of any Subordinated Indebtedness solely in exchange for, or through the application of net cash proceeds of a substantially concurrent sale, other than to a Subsidiary of the Parent Guarantor, of:

(1) Qualified Capital Stock of the Parent Guarantor or the Company; or

(2) Refinancing Indebtedness for such Subordinated Indebtedness;

(iv) repurchases by the Parent Guarantor or the Company of Capital Stock of the Parent Guarantor or the Company or options, warrants or other securities exercisable or convertible into Capital Stock of the Parent Guarantor or the Company from employees or directors of the Company or any of their respective Subsidiaries or their authorized representatives upon the death, disability or termination of employment or directorship of the employees or directors;

(v) the repurchase of any Subordinated Indebtedness at a purchase price not greater than 101% of the principal amount thereof in the event of a change of control pursuant to a provision no more favorable to the holders thereof than Section 3.7 hereof; *provided* that, prior to the repurchase the Company has made an Offer to Purchase and repurchased all Notes issued under this Indenture that were validly tendered for payment in connection with such offer to purchase;

(vi) repurchases of Capital Stock deemed to occur upon the exercise of stock options if the Capital Stock represent all or a portion of the exercise price thereof (or related withholding taxes), and Restricted Payments by the Parent Guarantor or the Company to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of the Parent Guarantor or the Company;

(vii) if no Default or Event of Default has occurred and is continuing, the declaration and payment of dividends to holders of any class or series of Disqualified Capital Stock of the Parent Guarantor or any Restricted Subsidiary or Preferred Stock of any Restricted Subsidiary issued in accordance with Section 3.9 to the extent such payment of any redemption price or liquidation value of any such Disqualified Capital Stock or Preferred Stock is made when due in accordance with its terms;

(viii) [Reserved]

(ix) if no Default or Event of Default has occurred and is continuing or would exist after giving *pro forma* effect thereto, Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (ix), does not exceed U.S.$35,000,000 (or the equivalent in other currencies); and

(x) if no Default or Event of Default has occurred and is continuing or would exist after giving *pro forma* effect thereto, any other Restricted Payment, *provided* that the Net Debt to EBITDA Ratio is less than 2.5 to 1.0 at the time such Restricted Payment is made and after giving *pro forma* effect thereto.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to Section 3.10(b)(i) (without duplication for the declaration of the relevant dividend) and Section 3.10(b)(iv) will be included in such calculation and amounts expended pursuant to Section 3.10(b)(ii), Section 3.10(b)(iii), Section 3.10(b)(v), Section 3.10(b)(vi), Section 3.10(b)(vii), Section 3.10(b)(ix) and Section 3.10(b)(x) will not be included in such calculation.

The amount of any Restricted Payments not in cash will be the Fair Market Value on the date of such Restricted Payment of the property, assets or securities proposed to be paid, transferred or issued by the Parent Guarantor or the relevant Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment.

Section 3.11 Limitation on Designation of Unrestricted Subsidiaries.

(a) The Company may designate after the Issue Date any Subsidiary of the Parent Guarantor (other than the Company) as an "Unrestricted Subsidiary" under this Indenture (a "Designation") only if:

(i) no Default or Event of Default has occurred and is continuing at the time of or after giving effect to such Designation; and

(ii) the Parent Guarantor would be permitted to make an Investment at the time of Designation (assuming the effectiveness of such Designation and treating such Designation as an Investment at the time of Designation) as a Restricted Payment pursuant to Section 3.10(a) in an amount (the "Designation Amount") equal to the amount of the Parent Guarantor's Investment in such Subsidiary on such date.

(b) Neither the Parent Guarantor nor any Restricted Subsidiary will at any time, except as permitted by Section 3.9 and Section 3.10:

(i) provide credit support for, subject any of its property or assets (other than the Capital Stock of any Unrestricted Subsidiary) to the satisfaction of, or Guarantee, any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness);

(ii) be directly or indirectly liable for any Indebtedness of any Unrestricted Subsidiary; or

(iii) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its final scheduled maturity upon the occurrence of a default with respect to any Indebtedness of any Unrestricted Subsidiary, except for any non-recourse Guarantee given solely to support the pledge by the Parent Guarantor or any Restricted Subsidiary of the Capital Stock of any Unrestricted Subsidiary.

(c) The Company may revoke any Designation of a Subsidiary as an Unrestricted Subsidiary (a "Revocation") only if:

(i) no Default or Event of Default has occurred and is continuing at the time of and after giving effect to such Revocation; and

(ii) all Liens and Indebtedness of such Unrestricted Subsidiary outstanding immediately following such Revocation would, if Incurred at such time, have been permitted to be Incurred for all purposes of the Indenture.

(d) Upon a Restricted Subsidiary becoming an Unrestricted Subsidiary,

(i) all existing Investments of the Parent Guarantor and the Restricted Subsidiaries therein (valued at the Parent Guarantor's proportional share of the fair market value of its assets less liabilities) will be deemed made at that time;

(ii) all existing Capital Stock or Indebtedness of the Parent Guarantor, or a Restricted Subsidiary held by it will be deemed Incurred at that time, and all Liens on property of the Parent Guarantor or a Restricted Subsidiary held by it will be deemed incurred at that time;

(iii) all existing transactions between it and the Parent Guarantor or any Restricted Subsidiary will be deemed entered into at that time;

(iv) it is released at that time from its Note Guarantee, if any; and

(v) it will cease to be subject to the provisions of this Indenture as a Restricted Subsidiary.

(e) Upon an Unrestricted Subsidiary becoming, or being deemed to become, a Restricted Subsidiary,

(i) all of its Indebtedness and Disqualified or Preferred Stock will be deemed Incurred at that time for purposes of Section 3.9;

(ii) Investments therein previously charged under Section 3.10 will be credited thereunder;

(iii) it may be required to issue a Note Guarantee; and

(iv) it will thenceforward be subject to the provisions of this Indenture as a Restricted Subsidiary (and, if applicable, a Non-Guarantor Restricted Subsidiary).

(f) The Designation of a Subsidiary of the Parent Guarantor as an Unrestricted Subsidiary will be deemed to include the Designation of all of the Subsidiaries of such Subsidiary. All Designations and Revocations must be evidenced by Board Resolutions of the Company's Board of Directors, delivered to the Trustee certifying compliance with the preceding provisions.

Section 3.12 Limitation on Sale and Lease-Back Transactions.

(a) The Parent Guarantor shall not, and shall not permit any of its Restricted Subsidiaries to, enter into any Sale and Lease-Back Transaction with respect to any property of such Person, unless either:

(i) the Parent Guarantor or that Restricted Subsidiary would be entitled pursuant to Section 3.8 of this Indenture (including any exception to the restrictions set forth therein) to issue, assume or guarantee Indebtedness secured by a Lien on any such property at least equal in amount to the Attributable Debt with respect to such Sale and Lease-Back Transaction, without equally and ratably securing the Notes, or

(ii) the Parent Guarantor or that Restricted Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the property so leased, to (1) the retirement, within 12 months after the effective date of the Sale and Lease-Back Transaction, of any of the Parent Guarantor's Indebtedness ranking at least *pari passu* with the Notes or Indebtedness of any Restricted Subsidiary, in each case owing to a Person other than the Parent Guarantor or any of its Restricted Subsidiaries or (2) to the acquisition, purchase, construction or improvement of real property or personal property used or to be used by the Parent Guarantor or any of its Restricted Subsidiaries in the ordinary course of business.

(b) These restrictions will not apply to:

(i) transactions providing for a lease term, including any renewal, of not more than three years; and

(ii) transactions between the Parent Guarantor and any of its Restricted Subsidiaries or between the Parent Guarantor's Restricted Subsidiaries.

Section 3.13 Reports to Holders.

(a) If at any point the Parent Guarantor is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will furnish to the Holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(b) If at any point the Parent Guarantor is no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company will furnish or cause to be furnished to the Trustee in English (for distribution only to the Holders of Notes upon their request):

(i) within 90 days after the end of the first, second and third quarters of the Parent Guarantor's fiscal year (commencing with the quarter ending immediately following the Parent Guarantor no longer being subject to such reporting requirements), quarterly unaudited financial statements (consolidated) prepared in accordance with GAAP of the Parent Guarantor for such period; and

(ii) within 120 days after the end of the fiscal year of the Parent Guarantor (commencing with the first fiscal year ending immediately following the Parent Guarantor no longer being subject to such reporting requirements), annual audited financial statements (consolidated) prepared in accordance with GAAP of the Parent Guarantor for such fiscal year and a report on such annual financial statements by the Auditors.

(c) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's or any other Person's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 3.14 Payment of Additional Amounts.

(a) All payments in respect of the Notes by the Company, and in respect of the Guarantee, by each Guarantor, shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges, unless the withholding or deduction of such taxes is required by law. In the event such taxes are imposed or levied by or on behalf of the Netherlands or any other jurisdiction in which the Company is organized, resident or carrying on business for tax purposes (or if a Guarantor is obligated to deduct any withholding taxes imposed or levied by or on behalf of the Netherlands or any other jurisdiction in which the Guarantor is organized, resident or carrying on business for tax purposes from payments made under a Guarantee), or any political subdivision thereof (a "Relevant Jurisdiction"), or by any taxing authority of a Relevant Jurisdiction, the Company shall (or, with respect to a Guarantee, each Guarantor shall), subject to the exceptions set forth below, pay to Holders of the Notes additional amounts ("Additional Amounts") as may be necessary so that every payment of interest, premium upon redemption of the Notes or principal to the Holders shall not be less than the amount provided for in the Notes.

(b) The Company, and each Guarantor, shall not pay Additional Amounts to any Holder for or solely on account of any of the following:

(i) any present or future taxes, duties, assessments or other governmental charges that would not have been imposed but for any present or former connection between the Holder (or a fiduciary, settlor, beneficiary, member or shareholder of the Holder) and the Relevant Jurisdiction (other than the mere receipt of a payment or the ownership or holding of a Note);

(ii) any estate, inheritance, capital gains, excise, personal property tax, sales, transfer, gift or similar tax, assessment or other governmental charge imposed with respect to the Notes;

(iii) any taxes, duties, assessments or other governmental charges that would not have been imposed but for the failure of the Holder or any other Person to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction, for tax purposes, of the Holder or any beneficial owner of the Note if compliance is required by law, regulation or by an applicable income tax treaty to which the Relevant Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge (including withholding taxes payable on interest payments under the Notes) and the Company has given the Holders at least 30 days' notice that Holders will be required to provide such certification, identification or information;

(iv) any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on or in respect of the Notes;

(v) any present or future taxes, duties, assessments or other governmental charges with respect to a Note presented for payment, where presentation is required, more than 30 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder of such Note would have been entitled to such Additional Amounts on presenting such Note for payment on any date during such 30-day period;

(vi) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of the principal of, or premium or interest on any Note, if such tax, assessment or other governmental charge results from the presentation of any Note for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment by at least one other reasonably available paying agent of the Company;

(vii) any payment on the Note to a Holder that is a fiduciary, a partnership, a limited liability company or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership, an interest holder in such a limited liability company or the beneficial owner of the payment would not have been entitled to the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Note;

(viii) any tax, assessment or other governmental charge required pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (or successor provisions), any current or future regulations, rules, practices or agreements entered into pursuant thereto, official interpretations thereof or any law implementing an intergovernmental approach thereto;

(ix) any tax required to be withheld or deducted pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*)

(x) in the case of any combination of the items listed above.

(c) The Company shall provide the Trustee with customary and satisfactory documentation evidencing the payment of taxes in respect of which the Company has paid any Additional Amount. Copies of such documentation shall be reasonably available to the Holders of the Notes or the relevant paying agent upon written request.

(d) Any reference in this Indenture or the Notes to principal, premium, interest or any other amount payable in respect of the Notes by us will be deemed also to refer to any Additional Amount that may be payable with respect to that amount under the obligations referred to in this section.

(e) In the event of any merger or other transaction described and permitted under Section 4.1, all references to the Netherlands, the laws or regulations of the Netherlands, and the political subdivisions or taxing authorities of the Netherlands under this Section 3.14 and under Article IV and Section 5(d) of Exhibit A will be deemed to also include the jurisdiction of incorporation or tax residence of the Issuer Surviving Entity, if different from the Netherlands, and any political subdivision therein or thereof, law or regulations, and any taxing authority of such other jurisdiction or any political subdivision therein or thereof, respectively.

Section 3.15 Compliance Certificates.

(a) Upon the formation, creation or acquisition of any new Restricted Subsidiary that is also a Non-Guarantor Restricted Subsidiary after the Issue Date, the Company shall deliver to the Trustee promptly an Officers' Certificate certifying that such Subsidiary is prevented by local law or the existence of minority shareholders from guaranteeing the Notes.

(b) The Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Company's or any other Person's compliance with the covenants described above or with respect to any reports or other documents filed under this Indenture; *provided, however*, that nothing herein shall relieve the Trustee of any obligations to monitor the Parent Guarantor's timely delivery of the reports and certificates described in Section 3.13.

Section 3.16 Covenant Suspension.

(a) If on any date following the Issue Date (i) the Notes have an Investment Grade Rating from any Rating Agency, (ii) the Notes have a rating of at least Ba1 from Moody's, BB+ from Standard & Poor's or BB+ from Fitch and (iii) no Default has occurred and is continuing under this Indenture (the occurrence of the events described in the foregoing clauses (i), (ii) and (iii) being collectively referred to as a "Covenant Suspension Event"), the Parent Guarantor and its Restricted Subsidiaries shall not be subject to the following covenants (collectively, the "Suspended Covenants"):

(i) Section 3.9;

(ii) Section 3.10; and

(iii) Section 3.11.

(b) In the event that the Parent Guarantor and its Restricted Subsidiaries are not subject to the Suspended Covenants under this Indenture for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") at least two of Fitch, Moody's or S&P no longer rate the Notes at least Ba1, BB+ or BB+, respectively, then the Parent Guarantor, the Company and their Restricted Subsidiaries shall thereafter again be subject to the Suspended Covenants under this Indenture.

(c) The period of time between the occurrence of a Covenant Suspension Event and the Reversion Date is referred to in this Indenture as the "Suspension Period." In the event of any such reinstatement, no action taken or omitted to be taken by the Parent Guarantor or any of its Restricted Subsidiaries prior to such reinstatement shall give rise to a Default or Event of Default under this Indenture with respect to Notes; *provided* that (i) with respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made shall be calculated as though Section 3.10 had been in effect prior to, but not during, the Suspension Period, *provided further* that any Subsidiaries designated as Unrestricted Subsidiaries during the Suspension Period shall automatically become Restricted Subsidiaries on the Reversion Date (subject to the Company's right to subsequently designate them as Unrestricted Subsidiaries pursuant to Section 3.11), and (ii) all Indebtedness Incurred, or Disqualified Capital Stock or Preferred Stock issued, during the Suspension Period shall be classified to have been Incurred or issued pursuant to Section 3.9(b)(ii).

Section 3.17 Listing.

(a) In the event that the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Company shall use its commercially reasonable efforts to maintain such listing; *provided* that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive or other directives or legislation, the Company or, to the extent applicable, the Parent Guarantor, could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company or the Parent Guarantor would otherwise use to prepare its published financial information, the Company may delist the Notes from the Luxembourg Stock Exchange in accordance with the rules of such Exchange and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Board of Directors of the Company may decide.

(b) From and after the date the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market, and so long as it is required by the rules of such Exchange, all notices to the Holders shall be published in English in accordance with Section 11.1(g).

ARTICLE IV

LIMITATION ON MERGER, CONSOLIDATION AND SALE OF ASSETS

Section 4.1 Merger, Consolidation and Sale of Assets.

(a) The Parent Guarantor shall not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Parent Guarantor is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Parent Guarantor's properties and assets (determined on a consolidated basis for the Parent Guarantor and its Restricted Subsidiaries), to any Person unless:

(i) either:

(1) the Parent Guarantor is the surviving or continuing Person; or

(2) the Person (if other than the Parent Guarantor) formed by such consolidation or into which the Parent Guarantor is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Parent Guarantor and of the Parent Guarantor's Restricted Subsidiaries substantially as an entirety (the "Parent Guarantor Surviving Entity"):

(A) is a corporation or company organized or incorporated and validly existing under the laws of the British Virgin Islands or the United States of America, any State thereof or the District of Columbia, Uruguay, Curaçao, the United Kingdom, the Netherlands or any member state of the European Union; and

(B) expressly assumes, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of the covenants of the Notes and the Indenture on the part of the Parent Guarantor to be performed or observed;

(ii) immediately before and immediately after giving effect to such transaction, no Default or Event of Default has occurred or is continuing; and

(iii) the Parent Guarantor or the Parent Guarantor Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture(s), if any, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

(b) The Company shall not, in a single transaction or series of related transactions, consolidate or merge with or into any Person (whether or not the Company is the surviving or continuing Person), or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties and assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries), to any Person unless:

(i) either:

(1) the Company is the surviving or continuing Person; or

(2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of the Company's Restricted Subsidiaries substantially as an entirety (the "Issuer Surviving Entity"):

(A) is a corporation or company organized or incorporated and validly existing under the laws of the Netherlands or the United States of America, any State thereof or the District of Columbia, Uruguay, Curaçao, the United Kingdom or any member state of the European Union; and

(B) expressly assumes, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest on all of the Notes and the performance and observance of the covenants of the Notes and the Indenture on the part of the Company to be performed or observed;

(ii) immediately before and immediately after giving effect to such transaction, no Default or Event of Default has occurred or is continuing;

(iii) if the surviving or Continuing Person is not the Company, each Guarantor has confirmed by supplemental indenture that its Note Guarantee will apply to the obligations of the Issuer Surviving Entity in respect of the Indenture and the Notes; and

(iv) the Company or the Issuer Surviving Entity has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if required in connection with such transaction, the supplemental indenture(s), if any, comply with the applicable provisions of the Indenture and that all conditions precedent in the Indenture relating to the transaction have been satisfied.

(c) For purposes of this Section 4.1, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Parent Guarantor (determined on a consolidated basis for the Parent Guarantor and its Restricted Subsidiaries), shall be deemed to be the transfer of all or substantially all of the properties and assets of the Parent Guarantor.

(d) The provisions of (x) Section 4.1(a)(ii) above shall not apply to any merger or consolidation of the Parent Guarantor into an Affiliate of the Parent Guarantor incorporated solely for the purpose of reincorporating the Parent Guarantor in another jurisdiction so long as the Indebtedness of the Parent Guarantor and its Restricted Subsidiaries taken as a whole is not increased thereby, and (y) Section 4.1(b)(ii) above shall not apply to any

merger or consolidation of the Company into an Affiliate of the Company incorporated solely for the purpose of reincorporating the Company in another jurisdiction so long as the Indebtedness of the Parent Guarantor and its Restricted Subsidiaries taken as a whole is not increased thereby.

(e) Section 4.1(a), Section 4.1(b), Section 4.1(c) and Section 4.1(d) shall not apply to (i) any transfer of assets by the Company to any Guarantor, (ii) any transfer of assets among Guarantors or (iii) any transfer of assets by a Non-Guarantor Restricted Subsidiary to (x) another Non-Guarantor Restricted Subsidiary or (y) the Company or any Guarantor.

(f) Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Parent Guarantor or the Company and any of their respective Restricted Subsidiaries in accordance with this covenant, in which the Company is not the continuing Person, the Parent Guarantor Surviving Entity or Issuer Surviving Entity, as applicable formed by such consolidation or into which the Parent Guarantor or the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Parent Guarantor or the Company under this Indenture and the Notes with the same effect as if such Parent Guarantor Surviving Entity or Issuer Surviving Entity, as applicable, had been named as such and the Company shall be relieved of its obligations under this Indenture and the Notes. For the avoidance of doubt, compliance with this Section 4.1(e) will not affect the obligations of the Company (including an Issuer Surviving Entity, if applicable) under Section 3.7 if applicable.

(g) No Subsidiary Guarantor shall consolidate with or merge with or into any Person, or sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or permit any Person to merge with or into the Subsidiary Guarantor unless:

(i) the other Person is the Company or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor concurrently with the transaction; or

(ii) (1) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes by supplemental indenture all of the obligations of the Subsidiary Guarantor under its Note Guarantee; and (2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(iii) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary of the Parent Guarantor) otherwise permitted by this Indenture.

ARTICLE V

REDEMPTION OF NOTES

Section 5.1 Redemption. The Company may or shall redeem the Notes, as a whole or from time to time in part, subject to the conditions and at the redemption prices specified in the form of Notes in Exhibit A.

Section 5.2 Election to Redeem. In the case of an optional redemption, the Company shall evidence its election to redeem any Notes pursuant to Section 5.1 by a Board Resolution.

Section 5.3 Notice of Redemption.

(a) The Company shall give or cause the Trustee to give notice of redemption, in the manner provided for in Section 11.1, not less than 10 nor more than 60 days prior to the Redemption Date to each Holder of Notes to be redeemed. If the Company itself gives the notice, it shall also promptly deliver a copy to the Trustee.

(b) If the Company elects to have the Trustee give notice of redemption, then the Company shall deliver to the Trustee, at least 15 days but not more than 30 days prior to the Redemption Date (unless the Trustee is satisfied with a shorter period), an Officers' Certificate requesting that the Trustee request that DTC (in the case of Global Notes) give notice of redemption and setting forth the information required by Section 5.3(c). If the Company elects to have the Trustee give notice of redemption, the Trustee shall give the notice in the name of the Company and at the Company's expense. For so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of the exchange so require, the Company will cause notices of redemption to also be published pursuant to Section 11.1(g) of this Indenture.

(c) All notices of redemption shall state:

(i) the Redemption Date;

(ii) the redemption price and the amount of any accrued interest payable as provided in Section 5.6;

(iii) whether or not the Company is redeeming all Outstanding Notes;

(iv) if the Company is not redeeming all Outstanding Notes, the aggregate principal amount of Notes that the Company is redeeming and the aggregate principal amount of Notes that shall be Outstanding after the partial redemption, as well as the identification of the particular Notes, or portions of the particular Notes, that the Company is redeeming;

(v) if the Company is redeeming only part of a Note, the notice that relates to that Note shall state that on and after the Redemption Date, upon surrender of that Note, the Holder shall receive, without charge, a new Note or Notes of authorized denominations for the principal amount of the Note remaining unredeemed;

(vi) that on the Redemption Date the redemption price and any accrued interest payable to but not including the Redemption Date as provided in Section 5.6 shall become due and payable in respect of each Note, or the portion of each Note, to be redeemed, and, unless the Company defaults in making the redemption payment, that interest on each Note, or the portion of each Note, to be redeemed shall cease to accrue on and after the Redemption Date;

(vii) the place or places where a Holder must surrender the Holder's Notes for payment of the redemption price; and

(viii) the CUSIP or ISIN number, if any, listed in the notice or printed on the Notes, and that no representation is made as to the accuracy or correctness of such CUSIP or ISIN number.

(d) Notice of any voluntary redemption of the Notes may, at the discretion of the Company, be subject to the satisfaction (or waiver by the Company in its sole discretion) of one or more conditions precedent, which may include consummation of any related Equity Offering, incurrence of Indebtedness or the occurrence of a Change of Control. If such optional redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Company's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Company in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been (or, in the Company's sole determination, may not be) satisfied (or waived by the Company in its sole discretion) by the redemption date, or by the redemption date so delayed.

Section 5.4 Selection of Notes to Be Redeemed in Part.

(a) If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected as follows: (1) if the Notes are listed on an exchange, in compliance with the requirements of such exchange, (2) if the Notes are not so listed but are Global Notes, then by lot or otherwise in accordance with the procedures of DTC or the applicable depositary or (3) if the Notes are not so listed and are not Global Notes, on a pro rata basis to the extent practicable, or, if the pro rata basis is not practicable for any reason, by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate. In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the then outstanding Notes not previously called for redemption or purchase. The Trustee shall promptly notify the Company in writing of the Notes selected for redemption or purchase. Notes and portions of Notes selected shall be in amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof; no Notes of U.S.$200,000 or less shall be redeemed in part, except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not U.S.$200,000 or a multiple of U.S.$1,000 in excess thereof, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase. After the redemption date, upon surrender of a Note to be redeemed in part only, a new Note or Notes in principal amount equal to the unredeemed portion of the original Note, representing the same Indebtedness to the extent not redeemed, shall be issued in the name of the Holder of the Notes upon cancellation of the original Note (or appropriate book entries shall be made to reflect such partial redemption).

(b) For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Notes shall relate, in the case of any Note redeemed or to be redeemed only in part, to the portion of the principal amount of that Note which has been or is to be redeemed.

Section 5.5 Deposit of Redemption Price. Prior to 11:00 a.m. New York City time on the Business Day prior to the relevant Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as Paying Agent, segregate and hold in trust as provided in Section 2.4) an amount of money in immediately available funds sufficient to pay the redemption price and accrued interest on all the Notes that the Company is redeeming on that date.

Section 5.6 Notes Payable on Redemption Date. If the Company, or the Trustee on behalf of the Company, gives notice of redemption in accordance with this Article V, the Notes, or the portion of Notes, called for redemption shall, on the Redemption Date, become due and payable at the redemption price specified in the notice (together with accrued interest, if any, to the Redemption Date) and from and after the Redemption Date (unless the Company shall default in the payment of the redemption price and accrued interest) the Notes, or the portion of Notes, shall cease to bear interest. Upon surrender of any Note for redemption in accordance with the notice, the Company shall pay the Notes at the redemption price, together with accrued interest, if any, to the Redemption Date. If the Company shall fail to pay any Note called for redemption upon its surrender for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate borne by the Notes. Upon redemption of any Notes by the Company, the redeemed Notes shall be cancelled and cannot be reissued. The Company's actions and determinations in determining any redemption price shall be conclusive and binding for all purposes, absent manifest error.

Section 5.7 Unredeemed Portions of Partially Redeemed Note. Upon surrender of a Note that is to be redeemed in part, the Company shall execute, and the Trustee shall authenticate and make available for delivery to the Holder of the Note at the expense of the Company, a new Note or Notes, of any authorized denomination as requested by the Holder, in an aggregate principal amount equal to, and in exchange for, the unredeemed portion of the principal of the Note surrendered; *provided* that each new Note shall be in a principal amount of U.S.$200,000 or integral multiples of U.S.$1,000 excess thereof.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.1 Events of Default.

(a) Each of the following is an "Event of Default" with respect to the Notes:

(i) default in the payment when due of the principal of or premium, if any, on (including, in each case, any related Additional Amounts) any Notes, including the failure to make a required payment to purchase Notes tendered pursuant to an optional redemption, mandatory redemption or a Change of Control Offer;

(ii) default for 30 days or more in the payment when due of interest (including any related Additional Amounts) on any Notes;

(iii) the failure by the Parent Guarantor or any Restricted Subsidiary to comply with any other covenant or agreement contained herein or in the Notes for 60 days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Notes;

(iv) default by the Parent Guarantor, the Company or any Significant Subsidiary under any indebtedness for borrowed money which:

(1) is caused by a failure to pay principal of or premium, if any, or interest on such indebtedness for borrowed money prior to the expiration of any applicable grace period provided in such indebtedness for borrowed money on the date of such default; or

(2) results in the acceleration of such indebtedness for borrowed money prior to its Stated Maturity;

and the principal or accreted amount of indebtedness for borrowed money covered by subclauses (1) or (2) at the relevant time, (i) in the case of any or all Venezuelan Subsidiaries aggregates U.S.$50,000,000 (or the equivalent in other currencies) or (ii) in the case of the Parent Guarantor, the Company and all other Significant Subsidiaries (other than any and all Venezuelan Subsidiaries, aggregates U.S.$40,000,000 (or the equivalent in other currencies) or more;

(v) failure by the Parent Guarantor, the Company or any Significant Subsidiary to pay one or more final judgments against any of them, (i) in the case of any and all Venezuelan Subsidiaries aggregating U.S.$50,000,000 (or the equivalent in other currencies) or (ii) in the case of the Parent Guarantor, the Company and all other Significant Subsidiaries (other than any and all Venezuelan Subsidiaries), aggregating U.S.$40,000,000 (or the equivalent in other currencies) or more, which are not paid, discharged or stayed for a period of 60 days or more (to the extent not covered by a reputable and creditworthy insurance company);

(vi) either Master Franchise Agreement shall, for any reason, be terminated; *provided* that no Call Option Redemption Event shall have occurred;

(vii) the occurrence of a Bankruptcy Law Event of Default; or

(viii) except as permitted herein, any Note Guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any Guarantor denies or disaffirms its obligations under its Note Guarantee; *provided* that the Note Guarantee of a Guarantor becoming unenforceable or invalid as a result of a change in law shall not constitute an Event of Default hereunder if the Company reclassifies such Subsidiary as a Non-Guarantor Restricted Subsidiary within 30 days of the announcement of such change in law; and *provided further* that it shall not be an Event of Default hereunder if a Note Guarantee of a Venezuelan Subsidiary is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect as a result of a change in law in Venezuela after the Issue Date.

(b) Upon becoming aware of any Default or Event of Default, the Company shall promptly deliver to the Trustee written notice of events which would constitute such Default or Event of Default, the status thereof and what action the Company is taking or proposes to take in respect thereof.

Section 6.2 Acceleration.

(a) If an Event of Default (other than an Event of Default specified in Section 6.1(a)(vi) or Section 6.1(a)(vii) with respect to the Parent Guarantor or the Company) has occurred and is continuing, the Trustee or the Holders of at least 25% in principal amount of Outstanding Notes may declare the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes to be immediately due and payable by notice in writing to the Company (if given by the Trustee or the Holders) and the Trustee (if given by the Holders) specifying the Event of Default and that it is a "notice of acceleration." If an Event of Default specified in Section 6.1(a)(vi) or Section 6.1(a)(vii) occurs with respect to the Parent Guarantor or the Company, then the unpaid principal of and premium, if any, and accrued and unpaid interest on all the Notes shall become immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

(b) At any time after a declaration of acceleration with respect to the Notes as described in Section 6.2(a), the Holders of a majority in aggregate principal amount of the then Outstanding Notes may rescind and cancel such declaration and its consequences:

(i) if the rescission would not conflict with any judgment or decree;

(ii) if all existing Events of Default have been cured or waived, except nonpayment of principal or interest that has become due solely because of the acceleration;

(iii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid; and

(iv) if the Company has paid the Trustee its compensation and reimbursed the Trustee for its expenses, disbursements and advances outstanding at that time.

No rescission shall affect any subsequent Default or impair any rights relating thereto.

Section 6.3 Other Remedies.

(a) If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

(b) The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

Section 6.4 Waiver of Past Defaults. Subject to Section 6.2, the Holders of a majority in aggregate principal amount of the then Outstanding Notes may waive any existing Default or Event of Default hereunder, and its consequences, except a Default in the payment of the principal of, premium, if any, or interest on any Notes.

Section 6.5 Control by Majority. Subject to the provisions of this Indenture and applicable law, the Holders of a majority in aggregate principal amount of the then Outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

Section 6.6 Limitation on Suits.

(a) No Holder of any Notes shall have any right to institute any proceeding with respect hereto or for any remedy hereunder, unless:

(i) such Holder gives to the Trustee written notice of a continuing Event of Default;

(ii) Holders of at least 25% in aggregate principal amount of the then Outstanding Notes make a written request to pursue the remedy;

(iii) such Holders of the Notes provide to the Trustee satisfactory indemnity;

(iv) the Trustee does not comply within 60 days; and

(v) during such 60 day period the Holders of a majority in aggregate principal amount of the then Outstanding Notes do not give the Trustee a written direction which, in the opinion of the Trustee, is inconsistent with the request;

provided that a Holder of a Note may institute suit for enforcement of payment of the principal of and premium, if any, or interest on such Note on or after the respective due dates expressed in such Note. Notwithstanding any provision of this Indenture to the contrary, no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb, or prejudice the rights of any other of such Holders (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders).

Section 6.7 Rights of Holders to Receive Payment. Notwithstanding any other provision hereof (including, without limitation, Section 6.6), the right of any Holder to receive payment of principal of or interest on the Notes held by such Holder, on or after the respective due dates, Redemption Dates or repurchase date expressed herein or the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.8 Collection Suit by Trustee. If an Event of Default specified in Section 6.1(a)(i) and Section 6.1(a)(ii) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then due and owing (together with applicable interest on any overdue principal and, to the extent lawful, interest on overdue interest) and the amounts provided for in Section 7.7.

Section 6.9 Trustee May File Proofs of Claim, etc.

(a) In case of any judicial proceeding relative to the Company (or any other obligor upon the Notes), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under applicable law in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee may (irrespective of whether the principal of the Notes is then due):

(i) file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders under this Indenture and the Notes allowed in any bankruptcy, insolvency, liquidation or other judicial proceedings relative to the Company, any Subsidiary Guarantor or any Subsidiary of the Company or their respective creditors or properties; and

(ii) collect and receive any moneys or other property payable or deliverable in respect of any such claims and distribute them in accordance with this Indenture.

Any receiver, trustee, liquidator, sequestrator (or other similar official) in any such proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, taxes, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due to the Trustee pursuant to Section 7.7.

(b) Nothing in this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 Priorities. If the Trustee collects any money or property pursuant to this Article VI, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.7;

SECOND: to Holders for amounts due and unpaid on the Notes for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal and interest, respectively; and

THIRD: to the Company or, to the extent the Trustee collects any amount pursuant to any Note Guarantee from any Guarantor, to such Guarantor.

The Trustee may, upon notice to the Company, fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section 6.11 Undertaking for Costs. All parties agree, and each Holder by its acceptance of its Notes shall be deemed to have agreed, that in any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by the Company, a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 10% in principal amount of Outstanding Notes.

ARTICLE VII

TRUSTEE

Section 7.1 Duties of Trustee.

(a) If a Default or an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of a Default or an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions, which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture (it being understood that the Trustee need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this Section 7.1(c) does not limit the effect of Section 7.1(b);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.2, Section 6.5 or Section 6.8 or any other provision of this Indenture.

(d) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company.

(e) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(f) No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VII.

(h) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(i) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders unless such Holders shall have offered to the Trustee indemnity and/or security reasonably satisfactory to it against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities that might be incurred by it in compliance with such request or direction.

Section 7.2 Rights of Trustee.

Subject to Section 7.1:

(a) The Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any document, instrument, opinion, direction, order, notice or request reasonably believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in such document, instrument, opinion, direction, order, notice or request.

(b) Before the Trustee acts or refrains from acting at the direction of the Company, it may require an Officers' Certificate, advice of counsel and/or an Opinion of Counsel, and such Officers' Certificate, advice and/or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by it hereunder. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Officers' Certificate, advice of counsel and/or Opinion of Counsel.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers; *provided*, *however*, that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled, upon notice to the Company, to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation.

(g) The Trustee shall not be deemed to have notice of any Default or Event of Default (other than payment default under Section 6.1(a)(i) or Section 6.1(a)(ii)) unless a Trust Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a Default or Event of Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture. For purposes of determining the Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to a Default or Event of Default, such reference shall be construed to refer only to such Default or Event of Default for which the Trustee is deemed to have notice pursuant to this Section 7.2(g).

(h) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

(i) In no event shall the Trustee be responsible or liable for special, indirect, punitive, or consequential loss or damage of any kind whatsoever (including, without limitation, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(j) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(k) The permissive rights of the Trustee enumerated herein shall not be construed as duties.

(l) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; sabotage; epidemics; pandemics; recognized public emergencies; quarantine restrictions; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service, and hacking, cyber-attacks, or other use or infiltration of the Trustee's technological infrastructure exceeding authorized access; accidents; labor disputes; acts of civil or military authority or governmental actions (it being understood that the Trustee shall use its best efforts to resume performance as soon as practicable under the circumstances).

(m) The Trustee or its Affiliates are permitted to receive additional compensation that could be deemed to be in the Trustee's economic self-interest for (i) serving as investment adviser, administrator, shareholder, servicing agent, custodian or subcustodian with respect to certain of the Cash Equivalents, (ii) using Affiliates to effect transactions in certain Cash Equivalents and (iii) effecting transactions in certain Cash Equivalents. Such compensation is not payable or reimbursable under Section 7.7 of this Indenture.

(n) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

(o) To the extent permitted by applicable law, the Trustee shall not be required to give any bond or surety in respect of the execution of this Indenture or otherwise.

(p) To help fight the funding of terrorism and money laundering activities, the Trustee will obtain, verify, and record information that identifies individuals or entities that establish a relationship or open an account with the Trustee. The Trustee will ask for the name, address, tax identification number and other information that will allow the Trustee to identify the individual or entity who is establishing the relationship or opening the account. The Trustee may also ask for formation documents such as articles of incorporation, an offering memorandum, or other identifying documents to be provided. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

(q) Notwithstanding anything to the contrary herein, any and all communications (both text and attachments) by or from the Trustee that the Trustee in its sole discretion deems to contain confidential, proprietary, and/or sensitive information and sent by electronic mail will be encrypted. The recipient of the email communication will be required to complete a one-time registration process. Information and assistance on registering and using the email encryption technology can be found at the Trustee's secure website http://www.citigroup.net/informationsecurity/dataprotect.htm or by calling (866) 535-2504 (in the U.S.) or (904) 954-6181.

Section 7.3 Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar or co-Registrar may do the same with like rights. However, the Trustee must comply with Section 7.10.

Section 7.4 Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes, and it shall not be responsible for any statement of the Company in this Indenture or in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Notes and perform its obligations hereunder.

Section 7.5 Notice of Defaults. If a Default occurs hereunder with respect to the Notes, the Trustee shall promptly give the Holders of the Notes notice of such Default. In addition, if a Default or Event of Default occurs and is continuing and if it is a payment default or a Trust Officer has actual knowledge thereof, or has received written notice thereof pursuant to Section 7.2(g) the Trustee shall mail to each Holder, with a copy to the Company, notice of the Default or Event of Default within 45 days after the occurrence thereof. Except in the case of a Default or Event of Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as it in good faith determines that withholding the notice is in the interests of the Holders.

Section 7.6 Reports by Trustee to Holders. The Trustee shall notify Holders of any Defaults under this Indenture pursuant to Section 7.5. The Company agrees to promptly notify the Trustee whenever the Notes become listed on any stock exchange and of any delisting thereof.

Section 7.7 Compensation and Indemnity.

(a) The Company shall pay to the Trustee from time to time such compensation for its acceptance of this Indenture and services hereunder as the Company and the Trustee shall from time to time agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred or made by it in connection with the performance of its duties under this Indenture, except for any such expense as may arise from the Trustee's negligence or willful misconduct. Such expenses shall include the reasonable fees and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee and its officers, directors, employees and agents against any and all loss, damage, claim, liability or expense or any actions in respect thereof (including reasonable attorneys' fees and expenses) incurred by it without negligence or willful misconduct on its part in connection with the acceptance or administration of this trust and the performance of its duties hereunder, including the costs and expenses of defending themselves (including reasonable attorney's fees and costs) against any claim (including by the Company, a Holder or any other Person) or liability related to the exercise or performance of any of their powers or duties hereunder (including this section 7.7) and under any other agreement or instrument related thereto. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel; *provided* that the Company shall not be required to pay such fees and expenses if it assumes the Trustee's defense, and, in the reasonable judgment of outside counsel to the Trustee, there is no conflict of interest between the Company and the Trustee in connection with such defense. The Company need not pay for any settlement made without its written consent, which consent shall not be unreasonably withheld.

(c) To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Notes. The Trustee's right to receive payment of any amounts due under this Section 7.7 shall not be subordinate to any other liability or Indebtedness of the Company.

(d) The Company's payment obligations pursuant to this Section 7.7 shall survive the discharge of this Indenture and the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of a Bankruptcy Law Event of Default, the expenses are intended to constitute expenses of administration under any Bankruptcy Law; *provided, however*, that this shall not affect the Trustee's rights as set forth in this Section 7.7 or Section 6.10.

Section 7.8 Replacement of Trustee.

(a) The Trustee may resign at any time by so notifying the Company. In addition, the Holders of a majority in aggregate principal amount of the then Outstanding Notes may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee. Moreover, if the Trustee is no longer eligible pursuant to Section 7.10 to act as such, or does not have a combined capital and surplus of at least U.S.$50,000,000 as set forth in its most recent published annual report or does not have its corporate trust office in the City of New York, New York, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. The Company shall remove the Trustee if:

(i) the Trustee fails to comply with Section 7.10;

(ii) the Trustee is adjudged bankrupt or insolvent;

(iii) a receiver or other public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting.

(b) If the Trustee resigns or is removed by the Company or by the Holders of a majority in principal amount of the then Outstanding Notes and such Holders do not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Company shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7.

(d) If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Holders of 10% in principal amount of the Outstanding Notes may petition, at the Company's expense, any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) Notwithstanding the replacement of the Trustee pursuant to this Section 7.8, the Company's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee.

Section 7.9 Successor Trustee by Merger.

(a) If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation, trust company or national banking association, the resulting, surviving or transferee entity without any further act shall be the successor Trustee; *provided* that such Persons shall be otherwise qualified and eligible under this Article VII.

(b) In case at the time such successor or successors to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.

Section 7.10 Eligibility .

The Trustee shall have a combined capital and surplus of at least U.S.$50,000,000 as set forth in its most recent published annual report of condition.

Section 7.11 Paying Agent and Registrar. The rights, protections and immunities granted to the Trustee under this Article VII shall apply *mutatis mutandis* to the Paying Agent, Registrar, any Authenticating Agent.

ARTICLE VIII

DEFEASANCE; DISCHARGE OF INDENTURE

Section 8.1 Legal Defeasance and Covenant Defeasance.

(a) The Company may, at its option, at any time, upon compliance with the conditions set forth in Section 8.2, elect to have either Section 8.1(b) or Section 8.1(c) be applied to its obligations with respect to all Outstanding Notes and all obligations of the Guarantors under the Note Guarantees.

(b) Upon the Company's exercise under Section 8.1(a) of the option applicable to this Section 8.1(b), the Company shall, subject to the satisfaction of the conditions set forth in Section 8.2, be deemed to have paid and discharged the entire indebtedness represented by the Outstanding Notes and Note Guarantees on the 91st day after the deposit specified in Section 8.2(a) (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the Outstanding Notes, which shall thereafter be deemed to be Outstanding only for the purposes of the sections of this Indenture referred to in clause (i) or (ii) of this Section 8.1(b), and the Company shall have been deemed to have satisfied all their other obligations under such Notes, and hereunder (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions, which shall survive until otherwise terminated or discharged hereunder:

(i) the rights of Holders to receive solely from the trust described in Section 8.2(a) below, as more fully set forth in such section, payments in respect of the principal of, premium, if any, and interest on the Notes when such payments are due,

(ii) the Company's obligations with respect to such Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payments,

(iii) the rights, powers, trusts, duties and immunities of the Trustee as described in Article VII and hereunder and the Company's obligations in connection therewith, and

(iv) this Article VIII.

Subject to compliance with this Article VIII, the Company may exercise its option under this Section 8.1(b) notwithstanding the prior exercise of its option under Section 8.1(c).

(c) Upon the Company's exercise under Section 8.1(a) of the option applicable to this Section 8.1(c), the Company, Parent Guarantor and Parent Guarantor's Restricted Subsidiaries shall be, subject to the satisfaction of the applicable conditions set forth in Section 8.2, released and discharged from their obligations under the covenants (including, without limitation, the obligations contained in Section 3.4, Section 3.7, Section 3.8, Section 3.9, Section 3.10, Section 3.11, Section 3.12, Section 3.13 and Section 3.15 with respect to the Outstanding Notes and the operation of Sections 6.1(a)(iii), (iv), (v), (vi), (vii) but only as it applies to any Restricted Subsidiary, and (viii) shall terminate on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not Outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be Outstanding for all other purposes hereunder (it being understood that such Notes shall not be deemed Outstanding for accounting purposes). For this purpose, such Covenant Defeasance means that, with respect to the Outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event or Default with respect to the Notes or the Note Guarantees under Section 6.1, but, except as specified above, the remainder hereof and such Notes shall be unaffected thereby.

Section 8.2 Conditions to Defeasance.

The Company may exercise its Legal Defeasance option or its Covenant Defeasance option only if:

(a) the Company has irrevocably deposited with the Trustee, in trust, for the benefit of the Holders cash in U.S. Dollars, certain direct non-callable obligations of, or guaranteed by, the United States, or a combination thereof, in such amounts as shall be sufficient without reinvestment, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, and premium, if any, and interest on the Notes (including Additional Amounts) on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(b) in the case of Legal Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized law firm in the U.S. reasonably acceptable to the Trustee and independent of the Company to the effect that:

(i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(ii) since the Issue Date, there has been a change in the applicable U.S. federal income tax law;

in either case to the effect that, and based thereon such Opinion of Counsel shall state that, the beneficial owners of the Notes shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized law firm in the U.S. reasonably acceptable to the Trustee and independent of the Company to the effect that the beneficial owners of the Notes shall not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and shall be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default has occurred and is continuing on the date of the deposit pursuant to Section 8.2(a);

(e) the Company has delivered to the Trustee an Officers' Certificate stating that such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under this Indenture or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(f) the Company has delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or any Subsidiary of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(g) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(h) the Company has delivered to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee and independent of the Company to the effect that the trust funds shall not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

Section 8.3 Application of Trust Money. The Trustee shall hold in trust U.S. Dollars or U.S. Government Obligations deposited with it pursuant to this Article VIII. It shall apply the deposited money and the U.S. Dollars from U.S. Government Obligations, together with earnings thereon, through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Notes.

Section 8.4 Repayment to Company.

(a) The Trustee and the Paying Agent shall promptly turn over to the Company upon request any excess money or securities held by them upon payment of all the obligations under this Indenture.

(b) Subject to any applicable abandoned property law, the Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal of or interest on the Notes that remains unclaimed for two years, and, thereafter, Holders entitled to the money must look to the Company for payment as general creditors.

Section 8.5 Indemnity for U.S. Government Obligations. The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against U.S. Government Obligations or the principal and interest received on such U.S. Government Obligations deposited with the Trustee pursuant to this Article VIII.

Section 8.6 Reinstatement. If the Trustee or Paying Agent is unable to apply any U.S. Dollars or U.S. Government Obligations in accordance with this Article VIII by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to this Article VIII until such time as the Trustee or Paying Agent is permitted to apply all such U.S. Dollars or U.S. Government Obligations in accordance with this Article VIII; *provided, however*, that, if the Company has made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the U.S. Dollars or U.S. Government Obligations held by the Trustee or Paying Agent.

Section 8.7 Satisfaction and Discharge. This Indenture shall be discharged and shall cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for herein) as to all Outstanding Notes, and the Trustee, on written demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either:

(i) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation; or

(ii) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable and the Company has irrevocably deposited or caused to be deposited with the Trustee funds or U.S. Government Obligations sufficient without reinvestment to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and accrued and unpaid interest on the Notes to the date of deposit (in the case of Notes that have become due and payable) or to the maturity or Redemption Date, as the case may be, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(b) the Company has paid all other sums payable under this Indenture and the Notes by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.

ARTICLE IX

AMENDMENTS

Section 9.1 Without Consent of Holders.

(a) The Company, the Guarantors and the Trustee may amend, modify or supplement this Indenture and the Notes without notice to or consent of any Holder:

(i) to cure any ambiguity, omission, defect or inconsistency contained in this Indenture or the Notes;

(ii) to provide for the assumption by an Issuer Surviving Entity or Parent Guarantor Surviving Entity or another Guarantor of the obligations of the Company or a Guarantor under this Indenture;

(iii) to add Note Guarantees or additional guarantees with respect to the Notes or release a Note Guarantee in accordance with the terms of this Indenture;

(iv) to secure the Notes;

(v) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company;

(vi) to provide for the issuance of Additional Notes in accordance with the terms hereof;

(vii) to evidence the replacement of the Trustee as provided for under this Indenture;

(viii) if necessary, in connection with any release of any security permitted under this Indenture;

(ix) to make any other changes which do not adversely affect the rights of any Holder in any material respect;

(x) to provide for uncertificated Notes in addition to or in place of certificated Notes; or

(xi) to conform the terms of this Indenture, the Note Guarantees or the Notes with the description thereof set forth in the "Description of Notes" section of the Offering Memorandum, as provided in an Officers' Certificate;

(b) [Reserved].

(c) After an amendment under this Section 9.1 becomes effective, the Company shall mail to Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.1.

Section 9.2 With Consent of Holders.

(a) Modifications to, amendments of, and supplements to, this Indenture or the Notes not set forth under Section 9.1 may be made with the consent of the Holders of a majority in principal amount of the then Outstanding Notes issued under this Indenture, except that, without the consent of each Holder affected thereby, no amendment may:

(i) reduce the percentage of the principal amount of the Notes whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the rate of or change or have the effect of changing the time for payment of interest on any Notes;

(iii) change any place of payment where the principal of or interest on the Notes is payable;

(iv) reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor;

(v) make any Notes payable in money other than that stated in the Notes;

(vi) make any change in the provisions of this Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on such Notes on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;

(vii) amend, change or modify in any material respect any obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control Repurchase Event that has occurred;

(viii) eliminate or modify in any manner the obligations of a Guarantor with respect to its Note Guarantee which adversely affects Holders in any material respect, except as contemplated in this Indenture;

(ix) make any change to Section 3.14 that adversely affects the rights of any Holder; and

(x) make any change to the provisions of this Indenture or the Notes that adversely affects the ranking of the Notes (for the avoidance of doubt, a change to the covenants described in Section 3.8 and Section 3.12 does not adversely affect the ranking of the Notes).

Section 9.3 Revocation and Effect of Consents and Waivers.

(a) A consent to an amendment, supplement or waiver by a Holder of a Note shall bind the Holder and every subsequent Holder of that Note or portion of the Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. After an amendment, supplement or waiver becomes effective, it shall bind every Holder, except as otherwise provided in this Article IX. An amendment, supplement or waiver under Section 9.2 shall become effective upon receipt by the Trustee of the requisite number of written consents under Section 9.2.

(b) The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

Section 9.4 Notation on or Exchange of Notes. If an amendment or supplement changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note shall execute and upon Company Order the Trustee shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment or supplement.

Section 9.5 Trustee to Sign Amendments and Supplements. The Trustee shall sign any amendment or supplement authorized pursuant to this Article IX if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may but need not sign it. In signing such amendment or supplement the Trustee shall be entitled to receive indemnity reasonably satisfactory to it and shall receive, and (subject to Section 7.1 and Section 7.2) shall be fully protected in conclusively relying upon, such evidence as it deems appropriate, including, without limitation, the documents required by Section 11.2 and solely on an Opinion of Counsel and Officers' Certificate, each stating that such amendment or supplement is authorized or permitted hereby and is the legal valid and binding obligation of the Company and the Guarantors.

ARTICLE X

NOTE GUARANTEES

Section 10.1 Note Guarantees.

(a) Each Guarantor hereby fully and unconditionally guarantees on a general unsecured senior basis, as primary obligor and not merely as surety, jointly and severally with each other Guarantor, to each Holder and to the Trustee the full and punctual payment when due, whether at maturity, by acceleration, by redemption or otherwise, of the principal, interest, premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the Notes, Note Guarantees and the Indenture (such guaranteed obligations, the "Guaranteed Obligations"). Each Guarantor further agrees (to the extent permitted by law) that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound under this Article X notwithstanding any extension or renewal of any Guaranteed Obligation. Each Guarantor hereby agrees to pay, in addition to the amounts stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under any Note Guarantee.

(b) Each Guarantor waives presentment to, demand of payment from and protest to the Company of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. Each Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of each Guarantor hereunder shall not be affected by (i) the failure of any Holder to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under this Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of this Indenture, the Notes or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder to exercise any right or remedy against any other Guarantor; or (vi) any change in the ownership of the Company.

(c) Each Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder to any security held for payment of the Guaranteed Obligations.

(d) Each of the Guarantors further expressly waives irrevocably and unconditionally:

(i) Any right it may have to first require any Holder to proceed against, initiate any actions before a court of law or any other judge or authority, or enforce any other rights or security or claim payment from the Company or any other Person (including any Guarantor or any other guarantor) before claiming from it under this Indenture;

(ii) Any rights to the benefits of *orden*, *excusión*, *división*, *quita* and *espera* arising from Articles 2814, 2815, 2817, 2818, 2819, 2820, 2821, 2822, 2823, 2826, 2837, 2839, 2840, 2845, 2846, 2847 and any other related or applicable Articles that are not explicitly set forth herein because of the Guarantor's knowledge thereof, of the *Código Civil Federal* of Mexico and the *Código Civil* of each State of the Mexican Republic and for the Federal District of Mexico;

(iii) Any right to which it may be entitled to have the assets of the Company or any other Person (including any Guarantor or any other guarantor) first be used, applied or depleted as payment of the Company's or the Guarantors' obligations hereunder, prior to any amount being claimed from or paid by any of the Guarantors hereunder; and

(iv) Any right to which it may be entitled to have claims hereunder divided between the Guarantors.

(e) The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than payment of the Guaranteed Obligations in full), including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder to assert any claim or demand or to enforce any remedy under this Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of such Guarantor or would otherwise operate as a discharge of such Guarantor as a matter of law or equity.

(f) Each Guarantor further agrees that its Note Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any of the Guaranteed Obligations is rescinded or must otherwise be restored by any Holder upon the bankruptcy, or reorganization of the Company or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which any Holder has at law or in equity against each Guarantor by virtue hereof, upon the failure of the Company to pay any of the Guaranteed Obligations when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, each Guarantor hereby promises to and will, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders an amount equal to the sum of:

(i) the unpaid amount of such Guaranteed Obligations then due and owing; and

(ii) accrued and unpaid interest on such Guaranteed Obligations then due and owing (but only to the extent not prohibited by law).

(h) Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders, on the other hand:

(i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in this Indenture for the purposes of its Note Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby; and

(ii) in the event of any such declaration of acceleration of such Guaranteed Obligations, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor for the purposes of its Note Guarantee.

Section 10.2 Limitation on Liability; Termination, Release and Discharge

(a) The obligations of each Guarantor hereunder shall be limited to the maximum amount as shall, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Note Guarantee or pursuant to its contribution obligations under this Indenture, result in the Guaranteed Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

(b) Each Guarantor shall be released and relieved of its obligations under its Note Guarantee in the event that:

(i) there is a Legal Defeasance or a Covenant Defeasance of the Notes Pursuant to Article VIII;

(ii) there is a sale or other disposition (including through a consolidation or merger) of Capital Stock of such Guarantor following which such Guarantor is no longer a direct or indirect Subsidiary of the Parent Guarantor;

(iii) there is a sale of all or substantially all of the assets of such Guarantor (including by way of merger, stock purchase, asset sale or otherwise) to a Person that is not (either before or after giving effect to such transaction) the Company or a Guarantor;

(iv) such Guarantor is designated as an Unrestricted Subsidiary in accordance with Section 3.11;

(v) the Guarantor shall become prevented from guaranteeing the Notes by local law; or

(vi) there is a satisfaction and discharge of this Indenture pursuant to Section 8.7;

provided, in each case, such transactions are carried out pursuant to and in accordance with all applicable covenants and provisions hereof.

Section 10.3 Right of Contribution. Each Guarantor that makes a payment or distribution under a Note Guarantee will be entitled to a contribution from each other Guarantor in a pro rata amount, based on the net assets of each Guarantor determined in accordance with GAAP. The provisions of this Section 10.3 shall in no respect limit the obligations and liabilities of each Guarantor to the Trustee and the Holders and each Guarantor shall remain liable to the Trustee and the Holders for the full amount guaranteed by such Guarantor hereunder.

Section 10.4 No Subrogation. Each Guarantor agrees that it shall not be entitled to any right of subrogation in respect of any Guaranteed Obligations until payment in full in cash or Cash Equivalents of all Guaranteed Obligations. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid in full in cash or Cash Equivalents, such amount shall be held by such Guarantor in trust for the Trustee and the Holders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Trustee in the exact form received by such Guarantor (duly endorsed by such Guarantor to the Trustee, if required), to be applied against the Guaranteed Obligations.

Section 10.5 Additional Note Guarantees.

(a) The Parent Guarantor covenants and agrees that, if at any time after the date hereof (i) any Subsidiary of the Parent Guarantor is incorporated, formed or acquired under the laws of Argentina, Brazil, Mexico, Puerto Rico or Venezuela (provided such Venezuelan Subsidiary represents greater than 10% of Consolidated Adjusted EBITDA of the Parent Guarantor), other than an Unlevered Subsidiary, or (ii) any Venezuelan Subsidiary represents greater than 10% of Consolidated Adjusted EBITDA of the Parent Guarantor, and in respect to any such Subsidiary of the Parent Guarantor in clauses (i) and (ii), such Subsidiary of the Parent Guarantor is not prevented from becoming a Guarantor because of local laws or the existence of minority shareholders (a "Non-Guarantor Restricted Subsidiary"), the Parent Guarantor shall, after becoming aware of such event, (i) promptly notify the Trustee in writing of such event and (ii) cause such Subsidiary of the Parent Guarantor (an "Additional Subsidiary Guarantor") concurrently to become a Guarantor on a general unsecured senior basis (promptly following the determination in accordance with the terms of this Indenture that such Subsidiary is a Guarantor) by executing a supplemental indenture substantially in the form of Exhibit E hereto and providing the Trustee with an Officers' Certificate and to comply in all respects with the provisions of this Indenture and the Notes, as applicable; *provided*, *however*, that each Additional Subsidiary Guarantor will be automatically and unconditionally released and discharged from its obligations under such additional note guarantee ("Additional Note Guarantee") only in accordance with Section 10.2; and *provided further* that no Officers' Certificate shall be required solely pursuant to this Section 10.5(a) on the Issue Date.

(b) The Company shall notify, in accordance with Section 11.1, the Holders of any execution of a supplemental indenture pursuant to and in accordance with Section 10.5(a); *provided* that no notice shall be required solely pursuant to this Section 10.5(b) as a result of the execution of any supplemental indenture pursuant to and in accordance with Section 10.5(a) on the Issue Date.

(c) To the extent otherwise permitted under this Indenture, the Company may form, create or acquire new Subsidiaries under the laws of Argentina, Brazil, Mexico, Puerto Rico or Venezuela that may also be Non-Guarantor Restricted Subsidiaries, to the extent they are prevented by local law or the existence of minority shareholders from guaranteeing the Notes; *provided* that the Company provides the Trustee with an Officers' Certificate certifying that such Subsidiary is prevented by local law or the existence of minority shareholders from guaranteeing the Notes. If a Non-Guarantor Restricted Subsidiary is no longer prevented from guaranteeing the Notes, the Parent Guarantor shall promptly cause such Non-Guarantor Restricted Subsidiary to become a Guarantor by executing a supplemental indenture. Further, to the extent a Guarantor is no longer able to guarantee the Notes because of local law, the Company shall be permitted to designate such Guarantor as a Non-Guarantor Restricted Subsidiary in accordance with the terms hereof.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notices.

(a) Any notice or communication shall be in writing and delivered in Person, by telecopy or mailed by first-class mail, postage prepaid, addressed as follows:

if to the Company or any Guarantor:

Arcos Dorados B.V.
c/o Arcos Dorados Holdings Inc.
Dr. Luis Bonavita 1294, Office 501
WTC Free Zone
Montevideo, Uruguay (CP 11300)
Attention: Mariano Tannenbaum, Chief Financial Officer

if to the Trustee:

Citibank, N.A.
388 Greenwich Street, 4th Floor, New York, NY 10013
Attention: Agency & Trust – Arcos Dorados B.V.

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) [Reserved]

(c) Notices to Holders of non-Global Notes shall be mailed to them by first- class mail by the Company or, at the Company's request, by the Trustee. Notices to Holders of Global Notes shall be given to DTC in accordance with its applicable procedures.

(d) Notices shall be deemed to have been given on the date of delivery to DTC or mailing, as applicable. In addition, notices shall be delivered to Holders of Notes at their registered addresses.

(e) Any notice or communication mailed to a registered Holder shall be mailed to the Holder at the Holder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

(f) Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

(g) From and after the date the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange, and so long as it is required by the rules of such exchange, all notices to Holders of Notes shall be in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*); or

(2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

In lieu of the foregoing, notices to Holders of Notes may be published via the website of the Luxembourg Stock Exchange at www.bourse.lu; provided that such method of publication satisfies the rules of such exchange.

Section 11.2 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take or refrain from taking any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of such counsel, all such conditions precedent have been complied with; *provided*, *however*, that no such Opinion of Counsel shall be delivered with respect to the authentication and delivery of any Initial Notes on the Issue Date.

Section 11.3 Statements Required in Officers' Certificate or Opinion of Counsel. Each certificate or opinion, including each Officers' Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(a) a statement that the individual making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

In giving an Opinion of Counsel, counsel may rely as to factual matters on an Officers' Certificate or on certificates of public officials.

Section 11.4 Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by, or a meeting of, Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

Section 11.5 Legal Holidays. A "Legal Holiday" is a Saturday, a Sunday or other day on which commercial banks and foreign exchange markets are authorized or obligated to be closed in New York City, United States. If a payment date is a Legal Holiday, payment shall be made on the next succeeding Business Day, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

Section 11.6 Governing Law, etc.

(a) THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) EACH OF PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING AS BETWEEN THE COMPANY AND THE TRUSTEE (BUT NOT THE HOLDERS OF THE NOTES) ARISING OUT OF OR RELATING TO THIS INDENTURE OR THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(c) Each of the parties hereto:

(i) agrees that any suit, action or proceeding against it arising out of or relating to this Indenture or the Notes, as the case may be, may be instituted in any U.S. federal or New York state court sitting in The City of New York, New York,

(ii) irrevocably submits to the jurisdiction of such courts in any suit, action or proceeding,

(iii) waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding, any claim that any suit, action or proceeding in such a court has been brought in an inconvenient forum and any right to the jurisdiction of any other courts to which it may be entitled on account of place of residence or domicile, and

(iv) agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding may be enforced in the courts of the jurisdiction of which it is subject by a suit upon judgment.

(d) The Company and each of the Guarantors has appointed Cogency Global Inc., 122 East 42nd Street, 18th Floor, New York, New York, 10168, as its authorized agent (the "Authorized Agent") upon whom all writs, process and summonses may be served in any suit, action or proceeding arising out of or based upon this Indenture or the Notes which may be instituted in any New York state or U.S. federal court in The City of New York, New York. The Company and each of the Guarantors represents and warrants that the Authorized Agent has accepted such appointment and has agreed to act as said agent for service of process, and the Company and each Guarantor agree to take any and all action, including the filing of any and all documents, that may be necessary to continue each such appointment in full force and effect as aforesaid so long as the Notes remain outstanding. The Company and each Guarantor agree that the appointment of the Authorized Agent shall be irrevocable so long as any of the Notes remain outstanding or until the irrevocable appointment by the Company and each Guarantor of a successor agent in The City of New York, New York as their authorized agent for such purpose and the acceptance of such appointment by such successor. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Company and any Guarantor.

(e) To the extent that the Company or any Guarantor has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to itself or any of its property, the Company and each of the Guarantors hereby irrevocably waives and agrees not to plead or claim such immunity in respect of its obligations under this Indenture or the Notes.

(f) Nothing in this Section 11.6 shall affect the right of the Trustee or any Holder of the Notes to serve process in any other manner permitted by law.

Section 11.7 No Recourse Against Others. No past, present or future incorporator, director, officer, employee, shareholder or controlling person, as such, of the Company or any Guarantor shall have any liability for any obligations of the Company under the Notes, this Indenture or any Note Guarantee or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for issuance of the Notes.

Section 11.8 Successors. All agreements of the Company or any Guarantor in this Indenture and the Notes shall bind its respective successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 11.9 Duplicate and Counterpart Originals. The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture. This Indenture may be executed in any number of counterparts, each of which so executed shall be an original, but all of them together represent the same agreement. This Indenture may also be executed in Argentina via the exchange of an offer letter and an acceptance letter, and delivery of such letters shall be effective as delivery of an executed counterpart of this Indenture.

Section 11.10 Severability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.11 Currency Indemnity.

(a) U.S. Dollars is the sole currency of account and payment for all sums payable by the Company and any Guarantor, under or in connection with the Notes, this Indenture or any Note Guarantee. Any amount received or recovered in currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company, any Subsidiary or otherwise) by any payee in respect of any sum expressed to be due to it from the Company and any Guarantor shall only constitute a discharge of it under the Notes, this Indenture and such Note Guarantee to the extent of the U.S. Dollar amount which such payee is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which such payee is able to do so). If that U.S. Dollar amount is less than the U.S. Dollar amount expressed to be due to the recipient under the Notes, this Indenture, or the Note Guarantee, the Company and any Guarantor shall indemnify the recipient against any loss sustained by it in making any such purchase. In any event, the Company and the Guarantors shall indemnify each payee, to the greatest extent permitted under applicable law, against the cost of making any purchase of U.S. Dollars. For the purposes of this Section 11.11, it shall be sufficient for a payee to certify in a satisfactory manner that it would have suffered a loss had an actual purchase of U.S. Dollars been made with the amount received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. Dollars on such date had not been practicable, on the first date on which it would have been practicable) and that the change of the purchase date was needed.

(b) The indemnities of the Company and any Guarantor contained in this Section 11.11, to the extent permitted by law: (i) constitute a separate and independent obligation from the other obligations of the Company and the Guarantors under this Indenture and the Notes; (ii) shall give rise to a separate and independent cause of action against the Company; (iii) shall apply irrespective of any indulgence granted by any Holder of the Notes or the Trustee from time to time; (iv) shall continue in full force and effect notwithstanding any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Indenture, the Notes or any Note Guarantee; and (v) shall survive the termination of this Indenture.

Section 11.12 Table of Contents; Headings. The table of contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

ARCOS DORADOS B.V.

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Corporate Treasurer

ARCOS DORADOS HOLDINGS INC.

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Authorized Signatory

ARCOS DOURADOS COMÉRCIO DE ALIMENTOS S.A.

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Corporate Treasurer

ARCOS DOURADOS RESTAURANTES, LTDA.

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Corporate Treasurer

ARCOS SERCAL INMOBILIARIA, S. DE R.L. DE C.V.

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Corporate Treasurer

RESTAURANTES ADMX, S. DE R.L. DE C.V.

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Corporate Treasurer

ARCOS DORADOS PUERTO RICO, LLC

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Corporate Treasurer

GOLDEN ARCH DEVELOPMENT, LLC

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Corporate Treasurer

CITIBANK, N.A.,
as Trustee, Registrar, Paying Agent and Transfer Agent

By: /s/ William Keenan
Name: William Keenan
Title: Senior Trust Officer

Solely for the purposes of accepting the appointment of Luxembourg Paying Agent together with the rights, protections and Immunities granted to the Trustee under Article VII, which shall apply *mutatis mutandis* to the Luxembourg Paying Agent

BANQUE INTERNATIONALE À LUXEMBOURG, SOCIÉTÉ ANONYME,
as Luxembourg Paying Agent

By: /s/ Jean-Jacques Kinnen
Name: Jean-Jacques Kinnen
Title: Senior Manager

By: /s/ Ana Olejarz
Name: Ana Olejarz
Title:New Issues & Listing Team leader

SCHEDULE I

MCDONALD'S FOREIGN PLEDGE AGREEMENTS

1. Stock Pledge Agreement (*Contrato de Prenda de Acciones y Cesion Fiduciaria con Fines de Garantia*), dated as of August 3, 2007, among the lenders party to the Credit Agreement, LatAm LLC ("LatAm") and Woods White Staton Welten, as pledgors, Arcos Dorados S.A., McDonald's Latin America, LLC ("McDonald's") and Deutsche Bank Trust Company Americas, as amended, supplemented or otherwise modified to date;

2. Stock Pledge Agreement (*Contrato de Prenda de Acciones y Cesion Fiduciaria con Fines de Garantia*), dated as of August 3, 2007, among the lenders party to the Credit Agreement, LatAm, Arcos Dorados Caribbean Development Corp. ("ADCDC"), Compañia de Inversiones Inmobiliarias (C.I.I.) S.A. and Deutsche Bank Trust Company Americas, as amended, supplemented or otherwise modified to date;

3. Second Lien Brazilian Quota Pledge Agreement, dated as of August 3, 2007, among McDonald's, as the pledgee, and LatAm, ADCDC and Arcos Dorados B.V.;

4. Ratification to Pledge Agreement, dated as of August 3, 2008, made by Arcos Dorados B.V., LatAm and ADCDC in favor of McDonald's (the "McDonald's U.S. Stock Pledge Agreement"), dated on or about August 3, 2007, among LatAm, McDonald's and the other parties to the McDonald's U.S. Stock Pledge Agreement;

5. Venezuela Share Pledge Agreement, dated as of January 24, 2013, among McDonald's Latin America, LLC, LatAm, Management Operations Company and Administrative Development Company, as amended, supplemented or otherwise modified to date;

6. McDonald's Aruba Deed of Pledge of Shares, dated on or about August 3, 2007, among McDonald's, LatAm, McDonald's Aruba N.V.;

7. McDonald's *Contrato de Prenda Abierta sobre Cuotas en Colombia*, dated on or about August 3, 2007, among LatAm, ADCDC and McDonald's;

8. McDonald's *Contrato de Prenda Abierta sobre Acciones en Colombia*, dated on or about August 3, 2007, among LatAm, ADCDC and McDonald's;

9. McDonald's Netherlands Antilles Deed of Pledge of Shares, dated on or about August 3, 2007, among McDonald's, LatAm and McDonald's St. Maarten and Curaçao N.V.;

10. Second Lien Ecuadorian Stock Pledge Agreement, dated on or about August 3, 2007, between LatAm and McDonald's;

11. McDonald's Panamanian Stock Pledge Agreement, dated on or about August 3, 2007, between LatAm and Eduardo de Alba, as pledgors, and McDonald's, as pledgee;

12. *Constitución y Preconstitución de Garantía Mobiliaria de Segundo Rango sobre Acciones*, dated on or about August 3, 2007, among LatAm, McDonald's and Operaciones Arcos Dorados de Perú S.A.;

13. McDonald's Uruguay Stock Pledge Agreement, dated on or about August 3, 2007, among McDonald's, LatAm and Gauchito de Oro S.A.;

14. McDonald's Uruguay Social Quotas Pledge Agreement, dated on or about August 3, 2007, among McDonald's, LatAm, ADCDC and Arcos del Sur S.R.L.;

15. Costa Rican Trust Agreement (*Contrato de Fideicomiso Irrevocable, Translativo de Dominio, de Garantía y Administración*), dated as of August 3, 2007, among Deutsche Bank Trust Company Americas, McDonald's, LatAm and Banco Improsa, S.A., as amended, supplemented or otherwise modified to date;

16. Mexican Trust Agreement (*Contrato de Fideicomiso Irrevocable, Translativo de Dominio, de Garantía y Administración número 15469-3*), dated as of August 3, 2007, among Deutsche Bank Trust Company Americas, ADCDC and Banco Nacional de Mexico, S.A., integrante del Grupo Financiero Banamex, División Fiduciaria, as amended, supplemented or otherwise modified to date; and

17. Mexican Trust Agreement (*Contrato de Fideicomiso Irrevocable, Translativo de Dominio, de Garantía y Administración número 15468-5*), dated as of August 3, 2007, among Deutsche Bank Trust Company Americas, McDonald's, LatAm and Banco Nacional de Mexico, S.A., integrante del Grupo Financiero Banamex, Division Fiduciaria, as amended, supplemented or otherwise modified to date.

SCHEDULE II

SECURED RESTRICTED REAL ESTATE

Country Code	Property Number	Name	City	Province	Address	Parcel Size (sq. m.)	Building Size (sq. m)	Property Type
MEX	15	Insurgentes Parque	Ciudad de México		Av. Insurgentes Sur No.1122 Col. Del Valle C.P. 03100 Ciudad de México	6,122	542	Free Standing
MEX	32	Polanco	Ciudad de México		Blvd. Manuel Ávila Camacho No. 137 Col. Los Morales Polanco 11510 Ciudad de México	5,944	1,331	Free Standing
ARG	51	Nuñez	Buenos Aires	Capital	Libertador 7112	2,955	676	Stand Alone
MEX	16	Insurgentes Tlalpan	Ciudad de México		Av. Insurgentes Sur No. 4222 Col. La Joya C.P. 14000 Ciudad de México	4,377	889	Free Standing
CHILE	5	KENNEDY	Santiago		Kennedy 5055	5,002	862	Stand Alone
VZ	31	La Castellana	Caracas		Av Eugenio Mendoza con 2da Transversal, frente a la Plaza La Castellana	2,449	1,096	Stand Alone
MEX	23	Municipio Libre	Ciudad de México		Municipio Libre No. 320 Col. Sta. Cruz Atoyac C.P. 03310 Ciudad de México	5,016	750	Free Standing

ARG	32	Florida	Buenos Aires	Capital	Florida 568	886	2,207	Street Retail
MEX	26	Pedregal	Ciudad de México		Periférico Sur No. 4090 Col. Jardines del Pedregal Del. Álvaro Obregón C.P. 01900 Ciudad de México	4,250	870	Free Standing
BRZ	9	ASA NORTE EIXINHO	-		SHC/N ENTREQUADRA, 208/209	6,800	242	Stand Alone
MEX	3	Aeropuerto	Ciudad de México		Nte. 25 No 302 Esq. Blvd. Puerto Aéreo Col. Moctezuma 1ª. Sección C.P. 15500 Ciudad de México	5,015	750	Free Standing
COL	6	CIUDAD SALITRE	BOGOTA		Carrera 68B No. 40A-30	4,127	551	Stand Alone
MEX	43	Garza Sada (Mty)	Monterrey		Av. Eugenio Garza Sada No. 3276 Sur Col. Altavista 64840 Monterrey, N.L.	5,225	624	Free Standing
BRZ	57	HENRIQUE SCHAUMANN	Cerqueira Cesar		AV. HENRIQUE SCHAUMANN, 80/124	1,500	700	Stand Alone
BRZ	91	Rio Branco 4	Centro		AV. RIO BRANCO, 4	1,970	358	Street Retail
COL	1	ANDINO	BOGOTA		Carrera 11 No. 82-02 L 355	N/A	424	Shopping Mall

MEX	4	Arboledas	Ciudad de México		Autopista México –Qtro. No. 3150 Col. Fracc. Ind. Tlaxcoapan Valle Dorado C.P. 54030 Tlalnepantla, Edo. De Méx.	5,395	720	Free Standing
ARG	20	Cabildo y F. Lacroze	Buenos Aires	Capital	Av. Cabildo 756	1,546	447	Stand Alone
ARG	31	Florida	Buenos Aires	Capital	Florida 281	445	1,107	Street Retail
MEX	68	Mariano Otero	Guadalajara		Av. Mariano Otero No. 2691 Col. Residencial, Victoria C.P. 45050 Zapopan, Jal.	4,353	1,241	Free Standing
MEX	93	Cancún Nichupte	Cancún		Av. Nichupte lote 5 Mza 3 SM 17 Col. Las Luciérnagas Zona Centro C.P. 77500 Cancún, Q. Roo	3,511	510	Free Standing
MEX	140	Cancún Nicupte +	Cancún Nichupte		Av. Nichupte lote 5 Mza 3 SM 17 Col. Las Luciérnagas Zona Centro C.P. 77500 Cancún, Q. Roo	7,329		Vacant Land
BRZ	111	SHOPPING CENTER MORUMBI	Vila Gertrudes		AV. ROQUE PETRONI JR., 1089	1,217	594	Shopping Center
BRZ	55	GUARULHOS	Macedo		AV. PAULO FACCINI, 1070	6,840	657	Street Retail

EXHIBIT A

FORM OF NOTE

THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

Include the following Private Placement Legend on all Restricted Notes:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF ARCOS DORADOS B.V. (THE "COMPANY") THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE COMPANY."

Include the following Private Placement Legend on all Regulation S Global Notes:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY OTHER APPLICABLE JURISDICTION.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF THE DATE ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ISSUE DATE OF THE NOTES."

FORM OF FACE OF NOTE

ARCOS DORADOS B.V.

6.125% SUSTAINABILITY-LINKED SENIOR NOTES DUE 2029

No. [___] Principal Amount U.S.$[_____]

[If the Note is a Global Note include the following two lines:
as revised by the Schedule of Increases and
Decreases in Global Note attached hereto]

[*If the Note is a Global*
Rule 144A Note, insert:
CUSIP NO. 03965T AB9
ISIN US03965TAB98]

[*If the Note is a Global*
Regulation S Note, insert:
CUSIP NO. P04568 AB0
ISIN USP04568AB06]

Arcos Dorados B.V., a Dutch private limited liability company (*besloten venmootschap met beperkte aansprakelijkheid*), promises to pay to Cede & Co., the nominee for The Depository Trust Company, or registered assigns, the principal sum of [_____] U.S. Dollars [*If the Note is a Global Note, add the following*: as revised by the Schedule of Increases and Decreases in Global Note attached hereto], on May 27, 2029.

Initial Rate of Interest: 6.125% per annum

Interest Payment Dates: May 27 and November 27 of each year, commencing on November 27, 2022

Record Dates: May 22 and November 22

Additional provisions of this Note are set forth on the other side of this Note.

ARCOS DORADOS B.V.

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

Citibank, N.A., not in its individual capacity, but solely as Trustee, certifies that this is one of the Notes referred to in the Indenture.

By: _____
Authorized Signatory

Dated: _____

FORM OF REVERSE SIDE OF NOTE

1. Interest

Arcos Dorados B.V., a Dutch private limited liability company (*besloten venmootschap met beperkte aansprakelijkheid*) (and its successors and assigns under the Indenture hereinafter referred to, the "Company"), promises to pay interest on the principal amount of this Note at the rate per annum shown above.

Except as set forth in the following paragraph, interest on the Notes will accrue at the Initial Rate of Interest and will be payable semi-annually in arrears on each Interest Payment Date of each year, commencing on November 27, 2022. Payments will be made to the persons who are registered Holders at the close of business on the 5th calendar day immediately preceding an Interest Payment Date (whether or not a Business Day). The Company shall pay interest on overdue principal (plus interest on such interest to the extent lawful), at the rate borne by the Notes to the extent lawful. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

If (1) the Company delivers a Satisfaction Notification to the Trustee on or prior to the Notification Date certifying that each Sustainability Performance Target was satisfied at or prior to the Notification Date, and that the satisfaction of each Sustainability Performance Target was confirmed by the External Verifier in accordance with its customary procedures prior to the Notification Date, the interest rate payable on the Notes will remain at 6.125% per annum from and including May 27, 2026 (the "Interest Rate Step-Up Date") to, and including, the Maturity Date; (2) the Company delivers a Satisfaction Notification to the Trustee on or prior to the Notification Date certifying that only the Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3) Sustainability Performance Target was satisfied at or prior to the Notification Date, and that the satisfaction of the Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3) Sustainability Performance Target was confirmed by the External Verifier in accordance with its customary procedures, the interest rate payable on the Notes will be increased by 12.5 basis points to 6.250% per annum (the "First Step-Up Interest Rate"), which First Step-Up Interest Rate will apply for each interest period from and including the Interest Rate Step-Up Date to, and including, the Maturity Date; (3) the Company delivers a Satisfaction Notification to the Trustee on or prior to the Notification Date certifying that only the Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2) Sustainability Performance Target was satisfied at or prior to the Notification Date, and that the satisfaction of the Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2) Sustainability Performance Target was confirmed by the External Verifier in accordance with its customary procedures, the interest rate payable on the Notes will be increased by 12.5 basis points to 6.250% per annum (the "Second Step-Up Interest Rate"), which Second Step-Up Interest Rate will apply for each interest period from and including the Interest Rate Step-Up Date to, and including, the Maturity Date or (4) (i) the Company delivers a Satisfaction Notification to the Trustee on or prior to the Notification Date certifying that neither Sustainability Performance Target was satisfied at or prior to the Notification Date and/or that the External Verifier has not confirmed satisfaction of both Sustainability Performance Targets by the Notification Date, or (ii) the Company fails, or is unable, to provide the Satisfaction Notification to the Trustee by the Notification Date, the interest rate payable on the Notes will be increased by 25 basis points to 6.375% per annum (the "Third Step-Up Interest Rate" and together with the First Step-Up Interest Rate and the Second Step-Up Interest Rate, the "Subsequent Rate of Interest"), which Third Step-Up Interest Rate will apply for each interest period from and including the Interest Rate Step-Up Date to, and including, the Maturity Date.

The Trustee will have no obligation to calculate or verify the calculation of the interest rate payable on the Notes. In no event shall the Trustee be charged with knowledge of or monitoring whether the Sustainability Performance Targets have been met. With respect to the rate at which the Notes will bear interest, the Trustee shall be fully protected in conclusively relying, without any independent verification whatsoever, upon the Satisfaction Notification delivered to the Trustee by the Company on or prior to the Notification Date, which sets out the adjusted interest rate for the Notes; provided, however, that if the Company does not deliver a Satisfaction Notification to the Trustee by the Notification Date, the Trustee shall conclusively assume that the Notes will bear interest at the Third Step-Up Interest Rate and the Notes will automatically bear interest at the Third Step-Up Interest Rate from and including the Interest Rate Step-Up Date to, and including, the Stated Maturity of the Notes without any action by any Person.

"Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2) Sustainability Performance Target" means a reduction in the Parent Guarantor's absolute greenhouse gas emissions by December 31, 2025 equal to or lower than 302,774 TCO_2Eq as measured against the Absolute Greenhouse Gas Emissions Reduction Baseline. Satisfaction of this target will be equivalent to the Target Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2). The Parent Guarantor will be entitled to increase or decrease the Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2) Sustainability Performance Target at any time, to give pro forma effect to any Baseline Recalculation in a manner such that the reduction in the Parent Guarantor's absolute greenhouse gas emissions by December 31, 2025 will be equivalent to the Target Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2).

"Absolute Greenhouse Gas Emissions Reduction Baseline" means 356,204 TCO_2Eq as of December 31, 2021, as published in the Sustainable Financing Framework, and as may recalculated from time to time pursuant to a Baseline Recalculation reported in any Periodic Report.

"Baseline Recalculation" means, in the event of any changes in the number of restaurants comprising the Parent Guarantor's direct and indirect operations compared to the number of restaurants comprising the Parent Guarantor's direct and indirect operations as of December 31, 2021, a recalculation of:

(i) the Absolute Greenhouse Gas Emissions Reduction Baseline pursuant to which the Parent Guarantor must (A) include the TCO_2Eq attributable to any additional restaurants comprising the Parent Guarantor's direct and indirect operations since December 31, 2021, and (B) exclude the TCO_2Eq attributable to any restaurants that ceased to comprise the Parent Guarantor's direct and indirect operations since December 31, 2021; or

(ii) the Greenhouse Gas (GHG) Emission Intensity Reduction Baseline pursuant to which the Parent Guarantor must (A) include the TCO_2Eq per total annual tonnes of Food and Packaging attributable to any additional restaurants comprising the Parent Guarantor's direct and indirect operations since December 31, 2021, and (B) exclude the TCO_2Eq per total annual tonnes of Food and Packaging attributable to any restaurants that ceased to comprise the Parent Guarantor's direct and indirect operations since December 31, 2021;

provided, however, that the Company is not required to calculate any Baseline Recalculation to the extent it determines in good faith that it does not have sufficient information to complete such calculation.

"External Verifier" means a qualified provider, as determined by the Parent Guarantor in good faith, of third-party assurance or attestation services appointed by the Parent Guarantor to review its statement of satisfaction of each applicable Sustainability Performance Target.

"Food and Packaging" means the aggregate amount of food and packaging purchased during a calendar year by the Parent Guarantor and its subsidiaries for purposes of the Parent Guarantor's direct and indirect operations.

"GHG Emission Intensity" means the Parent Guarantor's total Scope 3 greenhouse gas emissions, in tonnes of CO_2e, divided by the total annual tonnes of Food and Packaging across the Parent Guarantor's direct and indirect operations.

"Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3) Sustainability Performance Target" means a reduction in the Parent Guarantor's GHG Emission Intensity by December 31, 2025 equal to or lower than 7.46 TCO_2Eq per total annual tonnes of Food and Packaging across the Parent Guarantor's direct and indirect operations as measured against the Greenhouse Gas (GHG) Emission Intensity Reduction Baseline. Satisfaction of this target will be equivalent to the Target Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3). The Parent Guarantor will be entitled to increase or decrease the Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3) Sustainability Performance Target at any time, to give pro forma effect to any Baseline Recalculation in a manner such that the reduction in the Parent Guarantor's GHG Emission Intensity by December 31, 2025 will be equivalent to the Target Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3).

"Greenhouse Gas (GHG) Emission Intensity Reduction Baseline" means 8.29 TCO_2Eq per total annual tonnes of Food and Packaging across the Parent Guarantor's direct and indirect operations as of December 31, 2021, as published in the Sustainable Financing Framework, and as may recalculated from time to time pursuant to a Baseline Recalculation reported in any Periodic Report.

"Notification Date" means April 27, 2026.

"Periodic Report" means the report published on the Parent Guarantor's website and accompanied by a verification assurance report issued by the External Verifier published for any date or period; provided, that the Parent Guarantor will publish such Periodic Report, at a minimum, on an annual basis.

"Satisfaction Notification" means a certificate of the Company delivered to the Trustee in accordance with the Indenture certifying to the satisfaction of either or both of the Sustainability Performance Targets and the confirmation of such Sustainability Performance Target(s) by the applicable External Verifier in accordance with its customary procedures.

"Sustainability Performance Targets" means the Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2) Sustainability Performance Target and the

Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3) Sustainability Performance Target.

"Sustainable Financing Framework" means the Sustainable Financing Framework adopted by the Parent Guarantor in April 2022 to support the future issuance of sustainability-linked financing instruments including, among other securities and bilateral financing transactions, sustainability-linked bonds and sustainability-linked loans.

"Target Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2)" means a 15% reduction in the Parent Guarantor's absolute greenhouse gas emissions compared to the Absolute Greenhouse Gas Emissions Reduction Baseline in effect as of the Issue Date.

"Target Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3)" means a 10% reduction in the Parent Guarantor's GHG Emission Intensity compared to the Greenhouse Gas (GHG) Emission Intensity Reduction Baseline in effect as of the Issue Date.

"TCO_2Eq" means tonnes of carbon dioxide equivalent.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and, to the extent such payments are lawful, interest on overdue installments of interest ("Defaulted Interest") without regard to any applicable grace periods at the interest rate shown on this Note, as provided in the Indenture.

All payments made by or on behalf of the Company in respect of the Notes shall be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or other governmental charges, unless the withholding or deduction of such taxes is required by law. In the event such taxes are imposed or levied by or on behalf of the Netherlands or any jurisdiction in which the Company is organized, resident or carrying on business for tax purposes (or if a Guarantor is obligated to deduct any withholding taxes imposed or levied by or on behalf of the Netherlands or any other jurisdiction in which the Guarantor is organized, resident or carrying on business for tax purposes from payments made under a Guarantee), or any political subdivision thereof (a "Relevant Jurisdiction"), or by any taxing authority of a Relevant Jurisdiction, the Company shall (or, with respect to a Guarantee, each Guarantor shall) pay to each Holder of the Notes Additional Amounts as provided Section 3.14 of the Indenture subject to the limitations set forth in Section 3.14 of the Indenture.

Method of Payment

Prior to 11:00 a.m. (New York City time) on the Business Day prior to the date on which any principal of or interest on any Note is due and payable, the Company shall irrevocably deposit with the Trustee or the Paying Agent immediately available funds in U.S. Dollars sufficient to pay such principal and/or interest. The Company shall pay interest (except Defaulted Interest) to the Persons who are registered Holders of Notes at the close of business on the Record Date preceding the Interest Payment Date even if Notes are canceled, repurchased or redeemed after the Record Date and on or before the relevant Interest Payment Date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Company shall pay principal and interest in U.S. Dollars.

Payments in respect of Notes represented by a Global Note (including principal and interest) shall be made by the transfer of immediately available funds to the accounts specified by DTC. The Company shall make all payments in respect of a Certificated Note (including principal and interest) by mailing a check to the registered address of each Holder

thereof; *provided*, *however*, that if a Holder of Certified Notes in an aggregate principal amount of at least U.S.$1,000,000 has given wire transfer instructions to the Company and the Trustee, the Trustee, as Paying Agent, shall make all principal and interest payments on those Notes in accordance with such instructions.

Paying Agent and Registrar

Initially, Citibank, N.A. (the "Trustee"), shall act as Trustee, Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Company may act as Paying Agent, Registrar or co-Registrar.

4. Indenture

The Company originally issued the Notes under an Indenture, dated as of April 27, 2022 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the "Indenture"), among the Company, Arcos Dorados Holdings Inc., a British Virgin Islands business company (the "Parent Guarantor"), the Subsidiary Guarantors named therein, the Trustee and Banque Internationale à Luxembourg, Société Anonyme. The terms of the Notes include those stated in the Indenture. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of those terms. Each Holder by accepting a Note, agrees to be bound by all of the terms and provisions of the Indenture, as amended or supplemented from time to time.

The Notes are senior unsecured obligations of the Company. Subject to the conditions set forth in the Indenture and without the consent of the Holders, the Company may issue Additional Notes. All Notes shall be treated as a single class of securities under the Indenture.

The Indenture imposes certain limitations, subject to certain exceptions, on, among other things, the ability of the Company and its Subsidiaries to Incur Additional Indebtedness, make Restricted Payments, incur Liens, enter into Sale and Lease-Back Transactions, or consolidate or merge or transfer or convey all or substantially all of the Company's and its Subsidiaries' assets.

5. Optional Redemption

(a) *Optional Redemption with a Make-Whole Premium.*

At any time prior to May 27, 2026 (the "Initial Call Date"), the Company will have the right, at its option, to redeem any of the Notes, in whole or in part, at a redemption price equal to the greater of:

(1) 100% of the principal amount of such Notes, and

(2) (a) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date (assuming the Notes matured on the Initial Call Date and based on the redemption price set forth under "Percentage" in the table set forth in Section 5.(b) below for the Initial Call Date, based on whether as of the Notification Date, either, both or none of the Sustainability Performance Targets have been satisfied, satisfaction has been confirmed by the External Verifier and whether the Company has provided the applicable Satisfaction Notification) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points less (b) interest accrued to the date of redemption,

plus, in either case, accrued and unpaid interest thereon to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the yield determined by the Company in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Company after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading). In determining the Treasury Rate, the Company shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Initial Call Date (the "Remaining MW Life"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining MW Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining MW Life – and shall interpolate to the Initial Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining MW Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining MW Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication is no longer published, the Company shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the Initial Call Date, as applicable. If there is no United States Treasury security maturing on the Initial Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Initial Call Date, one with a maturity date preceding the Initial Call Date and one with a maturity date following the Initial Call Date, the Company shall select the United States Treasury security with a maturity date preceding the Initial Call Date. If there are two or more United States Treasury securities maturing on the Initial Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Company shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

(b) *Optional Redemption Without a Make-Whole Premium*. At any time and from time to time on or after the Initial Call Date, the Company may, at its option, redeem all or part of the Notes upon not less than 10 nor more than 30 days' prior notice to the Holders of the Notes, at the redemption prices, expressed as percentages of principal amount, set forth below, plus accrued and unpaid interest thereon, if any, to the applicable redemption date, if redeemed during the 12 month period beginning on May 27 of the years indicated below:

Year	Percentage			
	If, as of the Notification Date, both Sustainability Performance Targets have been satisfied, such satisfaction has been confirmed by the External Verifier and the Company has provided the Satisfaction Notification	If, as of the Notification Date, only the Greenhouse Gas (GHG) Emission Intensity Reduction (Scope 3) Sustainability Performance Target has been satisfied, such satisfaction has been confirmed by the External Verifier and the Company has provided the Satisfaction Notification	If, as of the Notification Date, only the Absolute Greenhouse Gas (GHG) Emissions Reduction (Scope 1 and 2) Sustainability Performance Target, such satisfaction has been confirmed by the External Verifier and the Company has provided the Satisfaction Notification	If, as of the Notification Date, neither Sustainability Performance Target has been satisfied, or such satisfaction has not been confirmed by the External Verifier and/or the Company has not provided the Satisfaction Notification
2026	103.063%	103.125%	103.125%	103.188%
2027	101.531%	101.563%	101.563%	101.594%
2028 and thereafter	100.000%	100.000%	100.000%	100.000%

(c) *Optional Redemption With Proceeds of Equity Offerings*. At any time prior to May 27, 2026, the Company may, at its option, on one or more occasions, redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) at a redemption price of 106.125% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided* that:

(1) Notes in an aggregate principal amount equal to at least 65% of the aggregate principal amount of Notes issued on the first Issue Date remain outstanding immediately after the occurrence of such redemption; and

(2) the redemption must occur within 90 days of the date of the closing of such Equity Offering.

(d) *Optional Redemption Upon Tax Event*. If the Company determines that, as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of any Relevant Jurisdiction, any taxing authority thereof or therein affecting taxation, or any amendment to, or change in an official interpretation or application of such laws, rules or regulations, which amendment to, or change in such laws, rules or regulations is legislated or promulgated or, in the case of a change in official interpretation or application, is announced or otherwise made available on or after the date of the Issue Date (or on or after the date an Issuer Surviving Entity assumes the obligations under the Notes, in the case of an Issuer Surviving Entity with a different Relevant Jurisdiction than the Company), the Company (or a Guarantor)

would be obligated, to pay any Additional Amounts, *provided* that the Company, in its business judgment, determines that such obligation cannot be avoided by the Company taking reasonable measures available to it, including, without limitation, taking reasonable measures to change the Paying Agent, then, at the Company's option, all, but not less than all, of the Notes may be redeemed at any time at a redemption price equal to 100% of the outstanding principal amount, plus any accrued and unpaid interest to the redemption date due thereon up to but not including the date of redemption; *provided* that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which the Company (or a Guarantor) would be obligated to pay these Additional Amounts if a payment on the Notes were then due, and (2) at the time such notice of redemption is given such obligation to pay such Additional Amounts remains in effect.

Prior to the giving of any notice of redemption pursuant to this provision, the Company will deliver to the Trustee:

(i) an Officers' Certificate stating that the Company is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to the Company's right to redeem have occurred; and

(ii) an Opinion of Counsel from legal counsel in a Relevant Jurisdiction (which may be the Company's counsel) of recognized standing to the effect that the Company has or will become obligated to pay such Additional Amounts as a result of such change or amendment.

Notice of the redemption, once delivered by the Company to the Trustee, will be irrevocable.

(e) *Optional Redemption Procedures.* If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected as follows: (1) if the Notes are listed on an exchange, in compliance with the requirements of such exchange, (2) if the Notes are not so listed but are Global Notes, then by lot or otherwise in accordance with the procedures of DTC or the applicable depositary or (3) if the Notes are not so listed and are not in global form, on a pro rata basis to the extent practicable, or, if the pro rata basis is not practicable for any reason, by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate. In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption date by the Trustee from the then outstanding Notes not previously called for redemption or purchase. The Trustee shall promptly notify the Company in writing of the Notes selected for redemption or purchase. Notes and portions of Notes selected shall be in amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof; no Notes of U.S.$200,000 or less shall be redeemed in part, except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not U.S.$200,000 or a multiple of U.S.$1,000 in excess thereof, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of the Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase. After the redemption date, upon surrender of a Note to be redeemed in part only, a new Note or Notes in principal amount equal to the unredeemed portion of the original Note, representing the same Indebtedness to the extent not redeemed, shall be issued in the name of the Holder of the Notes upon cancellation of the original Note (or appropriate book entries shall be made to reflect such partial redemption). Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest (unless the company defaults in the payment of the redemption price).

Notice of any redemption shall be sent in the manner provided for in Section 11.1 of the Indenture at least 10 but not more than 30 days before the redemption date to Holders of Notes to be redeemed. If Notes are to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof, if any, shall be issued in the name of the Holder thereof upon cancellation of the original Note (or appropriate adjustments to the amount and beneficial interests in a Global Note shall be made, as appropriate).

Notes called for redemption shall become due on the date fixed for redemption. The Company shall pay the redemption price for any Note together with accrued and unpaid interest thereon through but not including the date of redemption. On and after the redemption date, interest shall cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of any Notes by the Company, such redeemed Notes shall be cancelled and cannot be reissued.

6. Mandatory Repurchase Provisions

(a) *Mandatory Redemption upon Exercise of Call Option*. No later than five (5) Business Days following the date upon which the Call Option Redemption Event occurs, the Company will provide the Trustee with a notice to redeem all of the Notes at a purchase price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest thereon through the date of redemption (the "Call Option Exercise Payment"). For the avoidance of doubt, a Call Option Redemption Event will only occur in connection with the exercise by McDonald's of the McDonald's Call Option under the Master Franchise Agreements with respect to the Master Franchisee or the Brazilian Master Franchisee. An exercise by McDonald's of the McDonald's Call Option with respect to any other Subsidiary of the Company shall not be treated as a Call Option Redemption Event.

Notes subject to mandatory redemption following a Call Option Redemption Event will become due on the earlier of the date fixed for redemption or the 30th day following the Call Option Redemption Event. On and after the redemption date, interest will cease to accrue on the Notes as long as the Company has deposited with the Paying Agent funds in an amount equal to the Call Option Exercise Payment. Upon redemption of the Notes by the Company, the redeemed Notes will be cancelled.

(b) *Change Of Control Offer*. Upon the occurrence of a Change of Control Repurchase Event, each Holder of Notes shall have the right to require that the Company purchase all or a portion (in integral multiples of U.S.$1,000, *provided* that the principal amount of such Holder's Note will not be less than U.S.$200,000) of the Holder's Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest through the date of purchase.

Within 30 days following the date upon which the Change of Control Repurchase Event occurs, the Company must make a Change of Control Offer pursuant to a Change of Control Notice. As more fully described in the Indenture, the Change of Control Notice shall state, among other things, the Change of Control Payment Date, which must be no earlier than 30 days nor later than 60 days from the date the notice is mailed, other than as may be required by applicable law.

7. Denominations; Transfer; Exchange

The Notes are in fully registered form without coupons, and only in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. A

Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar shall be entitled to request such evidence reasonably satisfactory to it documenting the identity and/or signatures of the transferor and the transferee. The Registrar need not register the transfer of or exchange (i) any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) for a period beginning 15 days before the mailing of a notice of Notes to be redeemed and ending on the date of such mailing or (ii) any Notes for a period beginning 15 days before an interest payment date and ending on such interest payment date.

8. Persons Deemed Owners

The registered holder of this Note shall be treated as the owner of it for all purposes.

9. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

10. Discharge Prior to Redemption or Maturity

Subject to certain conditions set forth in the Indenture, the Company at any time may terminate some or all of its obligations under the Notes and the Indenture if the Company deposits with the Trustee U.S. Dollars or U.S. Government Obligations for the payment of principal of and interest on the Notes to redemption or maturity, as the case may be.

11. Amendment, Waiver

(a) Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company, the Guarantors and the Trustee may, among other things, amend or supplement the Indenture or the Notes to cure any ambiguity, omission, defect or inconsistency; to provide for the assumption by a Surviving Entity of the obligations of the Company or a Guarantor under the Indenture; to add Note Guarantees or additional guarantees with respect to the Notes or release a Note Guarantee in accordance with the terms of the Indenture; to secure the Notes; to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; to provide for the issuance of Additional Notes; to conform the text of the Indenture, the Note Guarantees or the Notes to any provision of the Offering Memorandum; to evidence the replacement of the Trustee as provided for under the Indenture; if necessary, in connection with any release of any security permitted under the Indenture; to provide for uncertificated Notes in addition to or in place of certificated Notes; if necessary, in connection with any release of any security permitted under the Indenture; or to make any other changes which do not adversely affect the rights of any of the Holders in any material respect.

(b) Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Notes may be amended or supplemented with the written consent of the Holders of at least a majority in principal amount of the then Outstanding Notes and (ii) any Default or Event of Default under the Indenture (except a Default in the payment of the principal of, premium, if any, or interest on any Notes) may be waived with the written consent of the Holders of a majority in aggregate principal amount of the then Outstanding Notes. However, without the consent of each

Holder affected thereby, no amendment may, among other things, reduce the percentage of the principal amount of the Notes whose Holders must consent to an amendment, supplement or waiver; reduce the rate of or change or have the effect of changing the time for payment of interest on any Notes; change any place of payment where the principal of or interest on the Notes is payable; reduce the principal of or change or have the effect of changing the fixed maturity of any Notes, or change the date on which any Notes may be subject to redemption, or reduce the redemption price therefor; make any Notes payable in money other than that stated in the Notes; make any change in the provisions of the Indenture entitling each Holder to receive payment of principal of, premium, if any, and interest on the Notes on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default; amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in respect of a Change of Control Repurchase Event that has occurred; eliminate or modify in any manner a Guarantor's obligations with respect to its Note Guarantee which adversely affects Holders in any material respect, except as contemplated in the Indenture; make any change in the Additional Amounts provisions of the Indenture that adversely affects the rights of any Holder; or make any change to the provisions of this Indenture or the Notes that adversely affects the ranking of the Notes (for the avoidance of doubt, a change to the covenants described in Section 3.8 and Section 3.12 of the Indenture does not adversely affect the ranking of the Notes).

12. Defaults and Remedies

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then Outstanding Notes may declare all the Notes to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default, which shall result in the Notes being due and payable immediately upon the occurrence of such Events of Default.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives indemnity and/or security reasonably satisfactory to it. Subject to certain limitations, Holders of a majority in aggregate principal amount of the Outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

13. Trustee Dealings with the Company

Subject to certain limitations set forth in the Indenture, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

14. No Recourse Against Others

No past, present or future incorporator, director, officer, employee, shareholder or controlling person, as such, of the Company or any Guarantor, shall have any liability for any obligations of the Company under the Notes, the Indenture or a Note Guarantee or for any claims based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

15. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the other side of this Note.

16. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian) and U/G/M/A (=Uniform Gift to Minors Act).

17. CUSIP or ISIN Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP or ISIN numbers to be printed on the Notes and has directed the Trustee to use CUSIP or ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

18. Governing Law

This Note shall be governed by, and construed in accordance with, the laws of the State of New York.

19. Currency of Account; Conversion of Currency.

U.S. Dollars is the sole currency of account and payment for all sums payable by the Company or any Guarantor under or in connection with the Notes, any Note Guarantee or the Indenture. The Company and any Guarantor shall indemnify the Holders as provided in respect of the conversion of currency relating to the Notes, any Note Guarantee and the Indenture.

20. Agent for Service; Submission to Jurisdiction; Waiver of Immunities.

The parties hereto have agreed that any suit, action or proceeding arising out of or based upon the Indenture or the Notes may be instituted in any New York state or U.S. federal court in The City of New York, New York. The parties hereto have irrevocably submitted to the jurisdiction of such courts for such purpose and waived, to the fullest extent permitted by law, trial by jury, any objection they may now or hereafter have to the laying of venue of any such proceeding, and any claim they may now or hereafter have that any proceeding in any such court is brought in an inconvenient forum and any right to the jurisdiction of any other courts to which any of them may be entitled, on account of place of residence or domicile. The Company has appointed Cogency Global Inc., 122 East 42nd Street, 18th Floor, New York, New York, 10168, as its authorized agent upon whom all writs, process and summonses may be served in any suit, action or proceeding arising out of or based upon the Indenture or the Notes which may be instituted in any New York state or U.S. federal court in The City of New York, New York. To the extent that the Company has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to it or any of their property, the Company has irrevocably waived and agreed not to plead or claim such immunity in respect of its obligations under the Indenture or the Notes.

Nothing in the preceding paragraph shall affect the right of the Trustee or any Holder of the Notes to serve process in any other manner permitted by law.

The Company shall furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture which has in it the text of this Note in larger type. Requests may be made to:

Arcos Dorados B.V.
c/o Arcos Dorados Holdings Inc.
Dr. Luis Bonavita 1294, Office 501
WTC Free Zone
Montevideo, Uruguay (CP 11300)
Attention: Mariano Tannenbaum, Chief Financial Officer

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to:

(Print or type assignee's name, address and zip code)

(Insert assignee's Social Security or Tax I.D. Number)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date:_____ Your Signature: _____
(Sign exactly as your name appears on the other side of this Note.)

Signature Guarantee: _____
(Signature must be guaranteed)

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15.

[To be attached to Global Notes only]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Note Custodian

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have part of this Note purchased by the Company pursuant to Section 3.7 of the Indenture, state the principal amount (which must be an integral multiple of U.S.$1,000, *provided* that the principal amount is not less than U.S.$200,000) that you want to have purchased by the Company:

U.S.$_____

Date: _____ Your Signature _____
(Sign exactly as your name appears on the other side of the Note)

Tax Identification No.:_____

Signature Guarantee: _____
(Signature must be guaranteed)

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to Exchange Act Rule 17Ad-15.

EXHIBIT B

FORM OF CERTIFICATE FOR TRANSFER TO QIB

[Date]

Citibank, N.A., as Trustee
480 Washington Boulevard, 30th Floor
Jersey City, New Jersey 07310
Attention: Agency & Trust – Arcos Dorados B.V.

Re: 6.125% Sustainability-Linked Senior Notes due 2029 (the "Notes")
of Arcos Dorados B.V. (the "Company")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of April 27, 2022 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the "Indenture"), among the Company, Arcos Dorados Holdings Inc., a British Virgin Islands business company (the "Parent Guarantor"), the Subsidiary Guarantors named therein, Citibank, N.A., as Trustee, and Banque Internationale à Luxembourg, Société Anonyme. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to U.S.$_____ aggregate principal amount of Notes [*in the case of a transfer of an interest in a Regulation S Global Note:* which represents an interest in a Regulation S Global Note] beneficially owned by the undersigned (the "Transferor") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in the Rule 144A Global Note.

In connection with such request, and with respect to such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended ("Rule 144A"), to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.

You and the Company are entitled to conclusively rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By:_____

_____
Authorized Signature

EXHIBIT C

FORM OF CERTIFICATE FOR TRANSFER
PURSUANT TO REGULATION S

[Date]

Citibank, N.A., as Trustee
480 Washington Boulevard, 30th Floor
Jersey City, New Jersey 07310
Attention: Agency & Trust – Arcos Dorados B.V.

Re: 6.125% Sustainability-Linked Senior Notes due 2029 (the "Notes")
of Arcos Dorados B.V. (the "Company")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of April 27, 2022 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the "Indenture"), among the Company, Arcos Dorados Holdings Inc., a British Virgin Islands business company (the "Parent Guarantor"), the Subsidiary Guarantors named therein, Citibank, N.A., as Trustee, and Banque Internationale à Luxembourg, Société Anonyme. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of U.S.$_____ aggregate principal amount of the Notes [*in the case of a transfer of an interest in a 144A Global Note:* , which represent an interest in a 144A Global Note] beneficially owned by the undersigned ("Transferor"), we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(a) the offer of the Notes was not made to a person in the United States;

(b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(e) we are the beneficial owner of the principal amount of Notes being transferred.

In addition, if the sale is made during a Distribution Compliance Period and the provisions of Rule 904(b)(1) or Rule 904(b)(2) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 904(b)(1) or Rule 904(b)(2), as the case may be.

You and the Company are entitled to conclusively rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this letter have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By:_____

_____
Authorized Signature

EXHIBIT D

FORM OF CERTIFICATE FOR TRANSFER
PURSUANT TO RULE 144

[Date]

Citibank, N.A., as Trustee
480 Washington Boulevard, 30th Floor
Jersey City, New Jersey 07310
Attention: Agency & Trust – Arcos Dorados B.V.

Re: 6.125% Sustainability-Linked Senior Notes due 2029 (the "Notes")
of Arcos Dorados B.V. (the "Company")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of April 27, 2022 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the "Indenture"), among the Company, Arcos Dorados Holdings Inc., a British Virgin Islands business company (the "Parent Guarantor"), the Subsidiary Guarantors named therein, Citibank, N.A., as Trustee, and Banque Internationale à Luxembourg, Société Anonyme. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed sale of U.S.$_____ aggregate principal amount of the Notes [*in the case of a transfer of an interest in a 144A Global Note:* , which represent an interest in a 144A Global Note] beneficially owned by the undersigned ("Transferor"), we confirm that such sale has been effected pursuant to and in accordance with Rule 144 under the Securities Act.

You and the Company are entitled to conclusively rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By:_____

_____
Authorized Signature

EXHIBIT E

FORM OF SUPPLEMENTAL INDENTURE
FOR NOTE GUARANTEE

This Supplemental Indenture, dated as of [_____] (this "Supplemental Indenture"), among [*name of Subsidiary*], a [_____] [corporation][limited liability company] (the "Additional Subsidiary Guarantor"), Arcos Dorados B.V., a Dutch private limited liability company (*besloten venmootschap met beperkte aansprakelijkheid*) (together with its successors and assigns, the "Company") and Citibank, N.A., as Trustee under the Indenture referred to below.

W I T N E S S E T H:

WHEREAS, the Company, the Trustee and the Guarantors named therein (each a "Guarantor" and together the "Guarantors") have heretofore executed and delivered an Indenture, dated as of April 27, 2022 (as amended, supplemented, waived or otherwise modified, the "Indenture"), providing for the issuance of 6.125% Sustainability-Linked Senior Notes due 2029 of the Company (the "Notes"); and

WHEREAS, pursuant to Section 9.1 of the Indenture, the Trustee and the Company are authorized to execute and deliver this Supplemental Indenture to supplement the Indenture, without the consent of any Holder;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Additional Subsidiary Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Defined Terms. Unless otherwise defined in this Supplemental Indenture, terms defined in the Indenture are used herein as therein defined.

ARTICLE II
AGREEMENT TO BE BOUND; GUARANTEE

Section 2.1. Agreement to be Bound. The Additional Subsidiary Guarantor hereby becomes a party to the Indenture as a Guarantor and as such shall have all of the rights and be subject to all of the obligations and agreements of a Guarantor under the Indenture. The Additional Subsidiary Guarantor hereby agrees to be bound by all of the provisions of the Indenture applicable to a Guarantor and to perform all of the obligations and agreements of a Guarantor under the Indenture.

Section 2.2. Subsidiary Guarantees.

(a) The Additional Subsidiary Guarantor hereby fully and unconditionally guarantees on a general unsecured senior basis, as primary obligor and not merely as surety, jointly and severally with each other Guarantor, to each Holder and to the Trustee the full and punctual payment when due, whether at maturity, by acceleration, by redemption or otherwise, of the principal, interest, premium, Additional Amounts, penalties, fees, indemnifications, reimbursements, damages, and other liabilities payable under the Notes, Note Guarantees and the

Indenture (such guaranteed obligations, the "Guaranteed Obligations"). The Additional Subsidiary Guarantor further agrees (to the extent permitted by law) that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from it, and that it will remain bound under this Agreement notwithstanding any extension or renewal of any Guaranteed Obligation. The Additional Subsidiary Guarantor hereby agrees to pay, in addition to the amounts stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under any Guarantee.

(b) The Additional Subsidiary Guarantor waives presentment to, demand of payment from and protest to the Company of any of the Guaranteed Obligations and also waives notice of protest for nonpayment. The Additional Subsidiary Guarantor waives notice of any default under the Notes or the Guaranteed Obligations. The obligations of the Additional Subsidiary Guarantor hereunder shall not be affected by (i) the failure of any Holder to assert any claim or demand or to enforce any right or remedy against the Company or any other Person under the Indenture, the Notes or any other agreement or otherwise; (ii) any extension or renewal of any thereof; (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of the Indenture, the Notes or any other agreement; (iv) the release of any security held by any Holder or the Trustee for the Guaranteed Obligations or any of them; (v) the failure of any Holder to exercise any right or remedy against any other Guarantor; or (vi) any change in the ownership of the Company.

(c) The Additional Subsidiary Guarantor further agrees that its Note Guarantee herein constitutes a guarantee of payment when due (and not a guarantee of collection) and waives any right to require that any resort be had by any Holder to any security held for payment of the Guaranteed Obligations.

(d) The Additional Subsidiary Guarantors further expressly waives irrevocably and unconditionally:

(i) Any right it may have to first require any Holder to proceed against, initiate any actions before a court of law or any other judge or authority, or enforce any other rights or security or claim payment from the Company or any other Person (including any Guarantor or any other guarantor) before claiming from it under this Indenture;

(ii) Any rights and benefits set forth in the following provisions of Argentine law: Articles 480, 481 and 482 of the Argentine Commercial Code and Articles 1990, 2020 and 2021 (other than with respect to defenses or motions based on documented payment (*pago*), reduction (*quita*), extension (*espera*) or release or remission (*remisión*), 2012, 2013 and 2024 (*beneficios de excusión y división*), 2025, 2026, 2029, 2043, 2046 and 2050 of the Argentine Civil Code;

(iii) Any rights to the benefits of *orden*, *excusión*, *división*, *quita* and *espera* arising from Articles 2814, 2815, 2817, 2818, 2819, 2820, 2821, 2822, 2823, 2826, 2837, 2839, 2840, 2845, 2846, 2847 and any other related or applicable Articles that are not explicitly set forth herein because of the Additional Subsidiary Guarantor's knowledge thereof, of the *Código Civil Federal* of Mexico and the *Código Civil* of each State of the Mexican Republic and for the Federal District of Mexico;

(iv) (1) the collection benefit (beneficio de excusión) granted by articles 1812, 1815, 1816, 1818 of the Venezuelan Civil Code; (2) the division benefit (beneficio de división) granted in articles 1819 and 1820 of the Venezuelan Civil Code;

(v) Any right to which it may be entitled to have the assets of the Company or any other Person (including any Guarantor or any other guarantor) first be used, applied or depleted as payment of the Company's or the Additional Subsidiary Guarantors' obligations hereunder, prior to any amount being claimed from or paid by the Additional Subsidiary Guarantors hereunder; and

(vi) Any right to which it may be entitled to have claims hereunder divided among the Guarantors and the Additional Subsidiary Guarantor.

(e) The obligations of the Additional Subsidiary Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than payment of the Guaranteed Obligations in full), including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense of setoff, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Additional Subsidiary Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Holder to assert any claim or demand or to enforce any remedy under the Indenture, the Notes or any other agreement, by any waiver or modification of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations, or by any other act or thing or omission or delay to do any other act or thing which may or might in any manner or to any extent vary the risk of the Additional Subsidiary Guarantor or would otherwise operate as a discharge of the Additional Subsidiary Guarantor as a matter of law or equity.

(f) The Additional Subsidiary Guarantor further agrees that its Note Guarantee herein shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of principal of or interest on any of the Guaranteed Obligations is rescinded or must otherwise be restored by any Holder upon the bankruptcy, or reorganization of the Company or otherwise.

(g) In furtherance of the foregoing and not in limitation of any other right which any Holder has at law or in equity against the Additional Subsidiary Guarantor by virtue hereof, upon the failure of the Company to pay any of the Guaranteed Obligations when and as the same shall become due, whether at maturity, by acceleration, by redemption or otherwise, the Additional Subsidiary Guarantor hereby promises to and will, upon receipt of written demand by the Trustee, forthwith pay, or cause to be paid, in cash, to the Holders an amount equal to the sum of:

(i) the unpaid amount of such Guaranteed Obligations then due and owing in U.S. Dollars; and

(ii) accrued and unpaid interest on such Guaranteed Obligations then due and owing (but only to the extent not prohibited by law).

(h) The Additional Subsidiary Guarantor further agrees that, as between the Additional Subsidiary Guarantor, on the one hand, and the Holders, on the other hand:

(i) the maturity of the Guaranteed Obligations guaranteed hereby may be accelerated as provided in the Indenture for the purposes of its Note Guarantee herein, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Guaranteed Obligations guaranteed hereby; and

(ii) in the event of any such declaration of acceleration of such Guaranteed Obligations, such Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by the Additional Subsidiary Guarantor for the purposes of its Note Guarantee.

Section 2.3 Limitation on Liability; Termination, Release and Discharge.

(a) The obligations of the Additional Subsidiary Guarantor hereunder shall be limited to the maximum amount as shall, after giving effect to all other contingent and fixed liabilities of the Additional Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Note Guarantee or pursuant to its contribution obligations under the Indenture, result in the Guaranteed Obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer under applicable law.

(b) The Additional Subsidiary Guarantor shall be released and relieved of its obligations under its Note Guarantee (except with respect to Guaranteed Obligations that by their terms survive) in the event that:

(i) there is a Legal Defeasance or Covenant Defeasance of the Notes pursuant to the Indenture;

(ii) there is a sale or other disposition (including through a consolidation or merger) of Capital Stock of the Additional Subsidiary Guarantor following which the Additional Subsidiary Guarantor is no longer a direct or indirect Subsidiary of the Company;

(iii) there is a sale of all or substantially all of the assets of the Additional Subsidiary Guarantor (including by way of merger, stock purchase, asset sale or otherwise) to a Person that is not (either before or after giving effect to such transaction) the Company or a Guarantor; or

(iv) there is a satisfaction and discharge of the Indenture pursuant to Section 8.7 of the Indenture;

provided, in each case, such transactions are carried out pursuant to and in accordance with all applicable covenants and provisions thereof.

Section 2.4 Right of Contribution

. If the Additional Subsidiary Guarantor makes a payment or distribution under its Note Guarantee, it will be entitled to a contribution from each other Guarantor in a pro rata amount, based on the net assets of each Guarantor and the Additional Subsidiary Guarantor determined in accordance with GAAP.The provisions of this Section 2.4 and Section 10.3 of the Indenture shall in no respect limit the obligations and liabilities of the Additional Subsidiary Guarantor to the Trustee and the Holders and the Additional Subsidiary Guarantor shall remain liable to the Trustee and the Holders for the full amount guaranteed by the Additional Subsidiary Guarantor hereunder.

Section 2.5 No Subrogation

. The Additional Subsidiary Guarantor agrees that it shall not be entitled to any right of subrogation in respect of any Guaranteed Obligations until payment in full in cash or Cash Equivalents of all Guaranteed Obligations. If any amount shall be paid to the Additional Subsidiary Guarantor on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid in full in cash or Cash Equivalents, such amount shall be held by the Additional Subsidiary Guarantor in trust for the Trustee and the Holders, segregated from other funds of the Additional Subsidiary Guarantor, and shall, forthwith upon receipt by the Additional Subsidiary Guarantor, be turned over to the Trustee in the exact form received by the Additional Subsidiary Guarantor (duly endorsed by the Additional Subsidiary Guarantor to the Trustee, if required) to be applied against the Guaranteed Obligations.

ARTICLE III
MISCELLANEOUS

Section 3.1. Notices. Any notice or communication delivered to the Company under the provisions of the Indenture shall constitute notice to the Additional Subsidiary Guarantor.

Section 3.2. Parties. Nothing expressed or mentioned herein is intended or shall be construed to give any Person, firm or corporation, other than the Holders and the Trustee, any legal or equitable right, remedy or claim under or in respect of this Supplemental Indenture or the Indenture or any provision herein or therein contained.

Section 3.3. Governing Law, etc. This Supplemental Indenture shall be governed by the provisions set forth in Section 11.6 of the Indenture.

Section 3.4. Severability. In case any provision in this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

Section 3.5. Ratification of Indenture; Supplemental Indenture Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby. The Trustee makes no representation or warranty as to the validity or sufficiency of this Supplemental Indenture.

Section 3.6. Duplicate and Counterpart Originals. The parties may sign any number of copies of this Supplemental Indenture. One signed copy is enough to prove this Supplemental Indenture. This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be an original, but all of them together represent the same agreement.

Section 3.7. Headings. The headings of the Articles and Sections in this Supplemental Indenture have been inserted for convenience of reference only, are not intended to be considered as a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 3.8. The Trustee. The recitals in this Supplemental Indenture are made by the Company and the Additional Subsidiary Guarantor only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of this Supplemental Indenture as fully and with like effect as if set forth herein in full. The Trustee makes no representations or warranties as to the correctness of the recitals contained herein, which shall be taken as statements of the Company, or the validity or sufficiency of this Supplemental Indenture and the Trustee shall not be accountable or responsible for or with respect to nor shall the Trustee have any responsibility for provisions thereof. The Trustee represents that it is duly authorized to execute and deliver this Supplemental Indenture and perform its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

ARCOS DORADOS B.V.

By: _____
Name:
Title:

[*NAME OF GUARANTOR*],
as Additional Subsidiary Guarantor

By: _____
Name:
Title:

CITIBANK, N.A.,
as Trustee

By: _____
Name:
Title:

CREDIT SUISSE

AMENDMENT REQUEST

IRREVOCABLE STANDBY/DOCUMENTARY
LETTER OF CREDIT

DATE: October 30, 2015

LETTER OF CREDIT NO.: TS-07004845	**DATE OF ISSUE:** **November 10, 2008**
APPLICANT: **Arcos Dorados B.V.** **Barbara Strozzilaan 101** **1083 HN Amsterdam** **The Netherlands**	**BENEFICIARY** **McDonald's Latin America , LLC** **c/o McDonald Corporation** **2915 Jorie Boulevard** **Oak Brook, IL 60523**

KINDLY AMEND THE ABOVE-REFERENCED LETTER OF CREDIT AS FOLLOWS:

☐ NEW EXPIRY DATE:

☐ PLEASE INCREASE THE AMOUNT BY
TO A NEW BALANCE OF

☑ **PLEASE DECREASE THE AMOUNT BY $20MM**
TO A NEW BALANCE OF $45MM

☐ OTHERS: (USE A SEPARATE SHEET IF NECESSARY)

Arcos Dorados B.V.
COMPANY NAME

/s/ Mariano Tannenbaum
AUTHORIZED SIGNATURE

Mariano Tannenbaum
PRINT NAME & TITLE

FOR BANK USE ONLY

SIGNATURE VERIFIED

CREDIT SUISSE

AMENDMENT TO
IRREVOCABLE STANDBY LETTER OF CREDIT
No. TS-07004845

November 4, 2015

McDonald's Latin America, LLC
c/o McDonald's Corporation
2915 Jorie Boulevard
Oak Brook, IL 60523

Attention: Treasurer , McDonald's Corporation

Sir/Madam:

At the request and for the account of ARCOS DORADOS B.V., we hereby amend the above referenced Letter of Credit as follows:

1) The Original Stated Amount is reduced by US$20,000,000.00 from US65,000,000.00 to US$45,000,000.00.

2) Bank's Presentation Office means (*i*) Eleven Madison Avenue, 6th Floor, New York, NY 10010, Attention: Trade Finance/Services Department, or (*ii*) such other branch or office of the Bank which may be designated by the Bank by written notice to the Beneficiary.

All other terms and conditions remain unchanged. This amendment forms an integral part of the original credit.

This amendment is subject to your consent. Please indicate your reply on both documents and keep the original for your records. The signed non-negotiable copy must be sent to our office listed above by courier.

Very truly yours,
CREDIT SUISSE AG
acting through its CAYMAN ISLANDS BRANCH

/s/ Jack D. Madej
Jack D. Madej
Assistant Vice President

/s/ Emma Artun
Emma Artun
Authorized Signatory

NON-NEGOTIABLE

REDUCTION APPROVED (X)

REDUCTION REJECTED ( )

/s/ Manuel Favela
McDonald's Latin America, LLC
NAME: Manuel Favela
TITLE: Latin America Vice President – Chief Financial Officer

Exhibit 4.28

JPMORGAN CHASE BANK, N.A.
GLOBAL TRADE OPERATIONS
10420 HIGHLAND MANOR DRIVE, FLOOR 04
TAMPA, FL 33610-9128
SWIFT: CHASUS33

TO:
ARCOS DORADOS BV
Barbara Strozzilaan 101
1083 HN Amsterdam
NETHERLANDS

Date: 02 Nov 2021
Subject: Acknowledgement Advice for Standby Letter of Credit Amendment
Our Reference: TFTS-865131

Dear Sir/Madam,

Standby LC Reference	:	TFTS-865131
Account Party	:	ARCOS DORADOS BV BARBARA STROZZILAAN 101 1083 HN AMSTERDAM THE NETHERLANDS
Beneficiary	:	MCDONALD'S LATIN AMERICA, LLC ONE MCDONALD'S PLAZA OAK BROOK, ILLINOIS 60523 U.S.A.

As per your request we have issued our Irrevocable Standby Letter of Credit Amendment under our reference number stated above.

We hereby enclose the copy of the Irrevocable Standby Letter of Credit Amendment for your information and record purpose.

All inquiries regarding this transaction may be directed to our Client Service Group quoting our reference TFTS-865131 using the following contact details:
Telephone Number: 1-800-634-1969
Email Address: gts.client.services@jpmchase.com

This is a computer generated document and therefore does not require a signature

COPY OF STANDBY LETTER OF CREDIT AMENDMENT

TO: MCDONALD'S LATIN AMERICA, LLC
ONE MCDONALD'S PLAZA
OAK BROOK, ILLINOIS 60523
U.S.A.

DATE : 02 Nov 2021
SUBJECT: STANDBY LETTER OF CREDIT AMENDMENT
OUR REFERENCE: TFTS-865131

DEAR SIR/MADAM,

AMENDMENT NUMBER	:	2
ACCOUNT PARTY	:	ARCOS DORADOS BV BARBARA STROZZILAAN 101 1083 HN AMSTERDAM THE NETHERLANDS

WE HEREBY AMEND THE ABOVE REFERENCED STANDBY LETTER OF CREDIT AS FOLLOWS:

NEW EXPIRY DATE : 11 JUN 2024

ALL OTHER TERMS AND CONDITIONS OF THE STANDBY LETTER OF CREDIT REMAIN UNCHANGED.

All inquiries regarding this transaction may be directed to our Client Service Group quoting our reference TFTS-865131 using the following contact details:
Telephone Number: 1-800-634-1969
Email Address: gts.client.services@jpmchase.com

END OF COPY

Buenos Aires, October 27th, 2021

JPMorgan Chase Bank, N.A.
Ref: SBLC nr NUSCGS009466

Dear all,

We formally request the extension of the Irrevocable Standby Letter of Credit TPS # NUSCGS009466 / legacy LC # TFTS-865131 from November 6, 2021 to the d June 11, 2024.

Very truly yours,

Arcos Dorados B.V.

By: /s/ Lucas Brizuela
Name: Lucas Brizuela
Title: Corporate Treasurer

Exhibit 4.31

FIRST AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is made and dated as of March 8, 2021 among ARCOS DORADOS HOLDINGS INC., a company incorporated under the laws of the British Virgin Islands (the "Borrower"), certain subsidiaries of the Borrower as guarantors (the "Guarantors"), and JPMORGAN CHASE BANK, N.A., as lender (the "Lender") and amends that certain Amended and Restated Credit Agreement dated as of December 11, 2020, among the Borrower, the Guarantors and the Lender (as may be further amended or modified from time to time, the "Credit Agreement").

R E C I T A L S

WHEREAS, the Borrower, the Guarantors and the Lender have agreed, subject to the terms and conditions hereinafter set forth, to amend the Credit Agreement as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Terms. All terms used herein shall have the same meanings as in the Credit Agreement unless otherwise defined herein.

2. Amendment. Upon the occurrence of the Amendment Effective Date (as defined in Section 4 below), the table in Section 6.5 of the Credit Agreement ("Consolidated Net Indebtedness to EBITDA Ratio") is hereby amended by deleting the date "September 30, 2022" therein and replacing it with "September 30, 2021".

3. Representations and Warranties. As of the date hereof and as of the Amendment Effective Date, the Borrower and each Guarantor, hereby represent and warrant to the Lender that the execution, delivery and performance of this Amendment by the Loan Parties have been duly authorized by all necessary action and that this Amendment is a legal, valid and binding obligation of the Loan Parties party hereto, enforceable in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws.

4. Conditions, Effectiveness. This Amendment shall become effective as of the date (the "Amendment Effective Date") on which the Lender shall have received this Amendment duly executed and delivered by or on behalf of the Borrower and each Guarantor.

5. Miscellaneous.

1.1 Effectiveness of the Credit Agreement and other Loan Documents. Except as hereby expressly amended, the Loan Documents shall each remain in full force and effect, are hereby ratified and confirmed in all respects on and as of the date hereof, and each Loan Party hereby reaffirms its obligations thereunder.

1.2 Loan Document. This Amendment is a Loan Document.

1.3 Counterparts. This Amendment may be executed in any number of counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

1.4 Governing Law; Jurisdiction. Section 9.10 ("Governing Law; Jurisdiction") of the Credit Agreement shall apply *mutatis mutandis* to this Amendment.

[*Remainder of Page Intentionally Left Blank*.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

ARCOS DORADOS HOLDINGS INC.,
as Borrower

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

ARCOS DOURADOS COMERCIO DE ALIMENTOS S.A.
(formerly known as Arcos Dourados Comercio de Alimentos Ltda.),
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

ADCR INMOBILIARIA S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

ARCOS DORADOS COSTA RICA ADCR, S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

ARCOS DORADOS PANAMÁ, S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

SISTEMAS MCOPCO PANAMÁ, S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

LENDER:

JPMORGAN CHASE BANK, N.A.,
as Lender

By: /s/ Christophe Vohmann
Name: Christophe Vohmann
Title: Executive Director

[Signature Page to Second Amendment to
Amended and Restated Credit Agreement dated as of December 11, 2020]

Exhibit 4.32

SECOND AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is made and dated as of December 10, 2021 among ARCOS DORADOS HOLDINGS INC., a a company incorporated under the laws of the British Virgin Islands (the "Borrower"), certain subsidiaries of the Borrower as guarantors (the "Guarantors"), and JPMORGAN CHASE BANK, N.A., as lender (the "Lender") and amends that certain Amended and Restated Credit Agreement dated as of December 11, 2020, among the Borrower, the Guarantors and the Lender (as may be further amended or modified from time to time, the "Credit Agreement").

R E C I T A L S

WHEREAS, the Borrower, the Guarantors and the Lender have agreed, subject to the terms and conditions hereinafter set forth, to amend the Credit Agreement as set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Terms. All terms used herein shall have the same meanings as in the Credit Agreement unless otherwise defined herein.

2. Amendment. Upon the occurrence of the Second Amendment Effective Date (as defined in Section 4 below), the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Agreement ("Defined Terms") is hereby amended by deleting the following defined terms therefrom: "Benchmark Replacement Adjustment", "Impacted Interest Period", "Interpolated Rate", "ISDA Definitions", "LIBOR Cessation Event", "LIBO Rate", "LIBO Screen Rate", "Relevant Governmental B "Term SOFR Transition Conditions",

(b) Section 1.1 of the Agreement ("Defined Terms") is hereby further amended by adding the following defined terms thereto in alphabetical order:

"Adjusted Daily Simple SOFR" means, with respect to any Daily Simple SOFR Loan for any day (such day, a "DSS Loan Day"), an interest rate *per annum* equal to (a) the Daily Simple SOFR for such DSS Loan Day, plus (b) the SOFR Adjustment; provided that if the Adjusted Daily Simple SOFR as s determined would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Adjusted Term SOFR" means, with respect to any Term SOFR Loan for any Interest Period, an interest rate *per annum* equal to (a) the Term SOFR fo such Interest Period, plus (b) applicable SOFR Adjustment; provided that if the Adjusted Term SOFR would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"SOFR Adjustment" means 0.10%.

"SOFR Cessation Event" means the occurrence of one or more of the following events with respect to the Term SOFR Reference Rate or SOFR: (1) public statement or publication of information by or on behalf of the Term SOFR Administrator or the SOFR Administrator, as applicable, announcing that such administrator has ceased or will cease to provide the Term SOFR Reference Rate for all available tenors or SOFR, permanently or indefinitely, with no successor administrator having been appointed to provide such

rate at such time; (2) a public statement or publication of information by the regulatory supervisor for the Term SOFR Administrator, the Board of Governors of the Federal Reserve System, the NYFRB, the Term SOFR Administrator, an insolvency official with jurisdiction over the Term SOFR Administrator, a resolution authority with jurisdiction over the Term SOFR Administrator or a court or an entity with similar insolvency or resolution authority over the Term SOFR Administrator, in each case which states that the Term SOFR Administrator has ceased or will cease to provide the Term SOFR Reference Rate for all available tenors permanently or indefinitely, with no successor administrator having been appointed to provide such Term SOFR Reference Rate at such time; or (3) a public statement or publication of information by the regulatory supervisor for the Term SOFR Administrator announcing that the Term SOFR Reference Rate for all available tenors are no longer, or as of a specified future date will no longer be, representative.

"Term SOFR" means, with respect to any Term SOFR Loan for any Interest Period, the Term SOFR Reference Rate published by the Term SOFR Administrator at approximately 5:00 a.m. (Chicago time) on the day (such day, the "Term SOFR Determination Day") that is two (2) Treasury Securities Business Days prior to the first day of such Interest Period;provided that if the applicable Term SOFR Reference Rate has not been published by the Term SOFR Administrator as of 5:00 p.m. (New York City time) on such Term SOFR Determination Day, then Term SOFR will be the Term SOFR Reference Rate published by the Term SOFR Administrator on the first preceding Treasury Securities Business Day for which such Term SOFR Reference Rate was published by the Term SOFR Administrator, so long as such first preceding Treasury Securities Business Day is not more than five (5) Treasury Securities Business Days prior to such Term SOFR Determination Day.If the Lender determines that such Term SOFR Reference Rate shall not be available in the manner described above for any reason, such Term SOFR Loan shall be converted to a Daily Simple SOFR Loan on the first day of such Interest Period, and the Lender will provide prompt notice thereof to the Borrower.

"Term SOFR Reference Rate" means, for any date and time, with respect to any Term SOFR Loan for any Interest Period, the "CME Term SOFR Reference Rate" for a tenor comparable to such Interest Period and as administered by the CME Group Benchmark Administration Limited (CBA) (or successor administrator of the Term SOFR Reference Rate selected by the Lender in its reasonable discretion, or any other entity that takes over the administration of such rate, the "Term SOFR Administrator") and available on its website, currently at https://www.cmegroup.com/market-data/cme-group-benchmark-administration/term-sofr.html, and as displayed on such day and at such time, or any appropriate screen page of any information service that publishes such rate from time to time as selected by the Lender in its reasonable discretion.

"Treasury Securities Business Day" means any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

(c) Section 1.1 of the Agreement ("Defined Terms") is hereby further amended by amending and restating the defined terms "Base Rate", "Breakage Costs" "Business Day", "Daily Simple SOFR", "Fee Letter", "Guarantor", "Interest Payment Date", "Interest Period", "Maturity Date", and "SOFR" in their entirety as follows:

"Base Rate" means, for any day, a rate *per annum* equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the Adjusted Term SOFR for a one-month Interest Period for such day (as if such day were the first day of such one-month Interest Period for a Term SOFR Loan) plus 1%. Any change in the Base Rate due to a change in the Prime Rate, the NYFRB

Rate or the Adjusted Term SOFR shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Adjuste Term SOFR, respectively; provided that if the Base Rate as so determined would be less than 1%, such rate shall be deemed to be 1% for purposes of this Agreement. If the Base Rate is being used as an alternate rate of interest because SOFR is not available as described in Section 2.6(a), then the Base Rate sha mean the greater of clauses (a) and (b) above and shall be determined without reference to clause (c) above.

"Breakage Costs" means an amount determined by the Lender in good faith to be sufficient to compensate the Lender for (i) any failure by the Borrower to borrow a SOFR Based Loan on the date specified in the relevant Borrowing Notice or (ii) any payment of a SOFR Based Loan prior to its stated maturity (reason of acceleration or otherwise) or the relevant Interest Payment Date therefor. A certificate of the Lender setting forth any amount or amounts that the Lender is entitled to receive for any loss, cost or expense attributable to any such event shall be delivered to the Borrower and shall be conclusive absent manifest error.

"Business Day" means any day on which commercial banks are not authorized or required to close in New York City.

"Daily Simple SOFR" means, with respect to any Daily Simple SOFR Loan for any DSS Loan Day, a rate *per annum* equal to SOFR for the day (such day "SOFR Lookback Date") that is five (5) Treasury Securities Business Days prior to (i) if such DSS Loan Day is a Treasury Securities Business Day, suc DSS Loan Day or (ii) if such DSS Loan Day is not a Treasury Securities Business Day, the Treasury Securities Business Day immediately preceding such D Loan Day, in each case, as such SOFR is published by the SOFR Administrator on the SOFR Administrator's Website. If, for any DSS Loan Day, SOFR in respect of the applicable SOFR Lookback Date has not been published on the SOFR Administrator's Website by 5:00 p.m. (New York City time) on the nex Treasury Securities Business Day immediately following such SOFR Lookback Date, then, such Daily Simple SOFR Loan shall be converted to a Base Rate Lo on such DSS Loan Day, and the Lender will provide prompt notice thereof to the Borrower.

"Fee Letter" means that certain Upfront Fee Letter dated as of December 11, 2020 and, individually and collectively, as the context may require, each other "Upfront Fee Letter" between the Lender and the Borrower executed and delivered subsequent to such date.

"Guarantor" means Arcos Dourados Comércio de Alimentos S.A., ADCR Inmobiliaria S.A., Arcos Dorados Costa Rica ADCR, S.A., Arcos Dorad Panamá, S.A., Sistemas MCopco Panamá, S.A. Inc., Arcos Dorados Puerto Rico, LLC, Golden Arch Development LLC and each Additional Guarantor.

"Interest Payment Date" means for any Loan, each day occurring after such Loan is made as follows: (i) for any Base Rate Loan, the last Business Day of each March, June, September and December; (ii) for any Term SOFR Loan, the last day of the relevant Interest Period, or if such relevant Interest Period longer than three (3) months, at three (3)-month intervals; (iii) for any Daily Simple SOFR Loan, at one (1)-month intervals; (iv) for any amount accruing interes upon an Event of Default as set forth in Section 2.6(b), on demand; and (v) for any accrued and unpaid amount (other than the amount described in clause (iv)) upon maturity and any repayment.

"Interest Period" means, with respect to any Term SOFR Loan, the period commencing on the date of such loan and ending on the numerically corresponding day in the calendar month that is one, three or six months thereafter (subject to availability of the relevant Term SOFR Reference Rate for a comparable tenor); provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period.

"Maturity Date" means December 12, 2022.

"SOFR" means, with respect to any Treasury Securities Business Day, a rate *per annum* equal to the secured overnight financing rate for such Treasury Securities Business Day published by the NYFRB (in its capacity as administrator of such rate, or a successor administrator thereof, the "SOFR Administrator") on its website, currently at http://www.newyorkfed.org, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time (the "SOFR Administrator's Website").

(d) Section 2.2(a) of the Agreement is hereby amended and restated in its entirety to read as follows:

"(a) The Borrower may: (a) borrow under the Commitment or convert a Loan to another type of Loan by giving the Lender irrevocable notice by 11:00 a.m. New York City time in the form of Exhibit A (when submitted for a new borrowing, a "Borrowing Notice" and when submitted for converting a Loan, an "Interest Election Request") hereto in the case of (i) a Base Rate Loan on the same Banking Day of, (ii) a Term SOFR Loan at least three (3) Treasury Securities Business Days prior to and (iii) a Daily Simple SOFR Loan at least five (5) Treasury Securities Business Days prior to the funding date of, or the conversion date into, such Loan; or (b) continue a Term SOFR Loan with a new Interest Period (that may be the same or a different tenor from the then current Interest Period) by giving the Lender irrevocable notice by 11:00 a.m. New York City time at least three (3) Treasury Securities Days prior to the start of the next Interest Period in the form of Exhibit A hereto (when submitted for such purpose, an "Interest Period Election"). If the Borrower requests a Term SOFR Loan pursuant to clause (a) but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.If the Borrower fails to deliver a timely Interest Period Election pursuant to clause (b) above with respect to any Term SOFR Loan prior to the end of the Interest Period applicable thereto, then the Borrower shall be deemed to have selected an Interest Period of the same duration as the then current Interest Period for the next Interest Period.

(e) Section 2.5(a) of the Agreement is hereby amended and restated in its entirety to read as follows:

"(a) The Borrower shall have the right to prepay, without premium or penalty, all or any portion of the Loans by giving the Lender irrevocable notice by 11:00 a.m. New York City time, in the case of (i) a Base Rate Loan, on the same Banking Day of, (ii) a Term SOFR Loan, at least three (3) Treasury Securities Business Days prior to, and (iii) a Daily Simple SOFR Loan, at least five (5) Treasury Securities Business Days prior to, the prepayment of such Loan."

(f) Section 2.6(a) and Section 2.6(c) of the Agreement are hereby amended and restated in their entirety to read as follows:

"(a) Except as otherwise provided in Clause (b) below or Sections 2.9 and 2.11, each Loan shall bear interest, as selected by the Borrower at the time o the Borrowing Notice, at (i) the Base Rate plus the Applicable Margin (such loan, a "Base Rate Loan"), (ii) the Adjusted Term SOFR plus the Applicable Margi (such loan, a "Term SOFR Loan") or (iii) the Adjusted Daily Simple SOFR plus the Applicable Margin (such loan, a "Daily Simple SOFR Loan" together with Term SOFR Loans, collectively, "SOFR Based Loans"). Term SOFR Loans shall be available for Interest Periods of one (1), three (3), or six (6) months; provided that no Interest Period may extend beyond the Maturity Date, the date on which all Loans shall finally mature. Interest shall be payable on the relevant Interest Payment Date. Borrower understands and acknowledges that Term SOFR Loans could in the future be discontinued or become the subject of regulatory reform. With respect to any Term SOFR Loan made hereunder, in the event the Term SOFR Reference Rate is not available for the relevant Interest Period in the manne described in the definition of "Term SOFR" hereunder, such Term SOFR Loan shall be converted into a Daily Simple SOFR Loan. With respect to any Daily Simple SOFR Loan outstanding, in the event SOFR is not available for the relevant DSS Loan Day in the manner described in the definition of "Daily Sim SOFR" hereunder, such Daily SOFR Loan shall be converted into a Base Rate Loan. In addition, upon occurrence of a SOFR Cessation Event, Section 2.9(b provides a mechanism for determining an alternative rate of interest. The Lender does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission, performance or any other matter related to any interest rate used in this Agreement, or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, the existing interest rate being replaced, or have the same volume or liquidity as did any existing interest rate prior to its discontinuance, unavailability and/or replacement. The Borrower acknowledges and agrees that the Lender and its affiliates and/or other related entities may engage in transactions that affect the calculation of any interest rate used in this Agreement or any successor or alternative rate and/or any relevant adjustments thereto, in each case, in a manner adverse to the Borrower."

"(c) Interest shall be calculated on the basis of a year of 365 days (or 366 days in the case of a leap year) (in the case of Base Rate Loans when based upon the Prime Rate) and 360 days in all other cases and, in each case for the actual days elapsed."

(g) Section 2.9 ("Inability to Determine Interest Rate") and Section 2.11 ("Illegality") of the Agreement re hereby amended and restated in their entirety to read a follows:

"Section 2.9 Unavailability. (a) If the Lender determines (which determination shall be conclusive absent manifest error) (i) prior to the commencement of any Interest Period for a Term SOFR Loan or (ii) on any DSS Loan Day for a Daily Simple SOFR Loan, that the Adjusted Term SOFR for such Interest Pe or the Adjusted Daily Simple SOFR for such DSS Loan Day will not adequately and fairly reflect the cost to the Lender of making or maintaining such SOF Based Loan, then the Lender shall give notice thereof to the Borrower by telephone or telecopy as promptly as practicable and, until the Lender notifies the Borrower that the circumstances giving rise to such notice no longer exist, (x) any request to convert a Base Rate Loan to, or continue a Term SOFR Loan as, Term SOFR Loan shall be ineffective and (y) if any request for a Loan under Section 2.2(a) requests a Term SOFR Loan, such Loan shall be made, instead, as Daily Simple SOFR Loan, so long as the Adjusted Daily Simple SOFR is not subject to this clause. If Adjusted Daily Simple SOFR is also affected under this

clause, (x) any request to convert a Loan to or continue a Loan as a SOFR Based Loan shall be ineffective and (y) if any request for a Loan under Section 2.2(a) requests a SOFR Based Loan, such Loan will be made instead as a Base Rate Loan or at a rate offered by the Lender in its sole discretion and accepted by the Borrower.

(b) Notwithstanding anything to the contrary herein or in any other Loan Document, if a SOFR Cessation Event has occurred, then the Lender and the Borrower shall endeavor to establish an alternate rate of interest to the Term SOFR or SOFR as applicable that gives due consideration to the the prevailing market convention for determining a rate of interest for syndicated and/or bilateral loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. Until an alternate rate of interest is determined in accordance with this clause (c), (x) any request to convert a Base Rate Loan to, or continue a Term SOFR Loan as a Term SOFR Loan shall be ineffective and (y) if any request for a Loan under Section 2.2(a) requests a Term SOFR Loan, such Loan shall be made, instead, as a Daily Simple SOFR Loan, so long as the Adjusted Daily Simple SOFR is not subject to this clause.If Adjusted Daily Simple SOFR is also affected under this clause, (x) any request to convert a Loan into or continue any SOFR Based Loan shall be ineffective and (y) if any request for a Loan under Section 2.2(a) requests a SOFR Based Loan, such Loan will be made insteadas a Base Rate Loan or at a rate offered by the Lender in its sole discretion and accepted by the Borrower. For avoidance of doubt, if some tenors for the Term SOFR Reference Rate become unavailable prior to a SOFR Cessation Event, those comparable Interest Periods will no longer be available for selection by the Borrower."

(h) Section 2.11 of the Agreement is hereby amended and restated in its entirety to read as follows: "Section 2.11 [**Reserved.**]"

(i) Section 2.13(a)(i) and Section 2.13(a)(ii) of the Agreement are hereby amended and restated in their entirety to read as follows:

"(i) does or shall impose, modify or hold applicable any reserve, special deposit or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, any office of the Lender which are not otherwise included in the determination of any applicable interest rate hereunder; or

(ii) does or shall impose on the Lender any other condition affecting this Agreement or the Loans;"

(j) Sections 5.7 and 6.6 of the Agreement are hereby deleted in their entirety.

(k) Sections 6.1(u) and 6.1(v) of the Agreement are hereby amended and restated in their entirety to read as follows:

"(u) Liens securing an amount of Indebtedness outstanding at any one time not to exceed the greater of (i) U.S.$50,000,000 (or the equivalent thereof in other currencies) or (ii) 7.5% of Consolidated Total Assets;

(v) Liens on the Capital Stock of any Subsidiary (other than any Material Subsidiary);"

(l) Section 6.5 of the Agreement ("Consolidated Net Indebtedness to EBITDA Ratio") is hereby amended and restated in its entirety to read as follows:

"Section 6.5 Consolidated Net Indebtedness to EBITDA RatioPermit the Consolidated Net Indebtedness to EBITDA Ratio, as of the last day of any fiscal quarter of the Borrower, to equal or exceed 3.0 to 1.0, as of the last day of the fiscal quarter."

(m) Exhibit A of the Agreement is hereby amended and restated in its entirety by replacing it with Exhibit A attached hereto.

3. Representations and Warranties. As of the date hereof and as of the Second Amendment Effective Date, the Loan Parties hereby represent and warrant to the Lender that (a) the representations and warranties set forth in Article III of the Agreement are true and correct as of each such date, (b) no event has occurred and is continuing or would result from the execution and delivery to the Lender of this Amendment, that constitutes a Default or Event of Default, and (c) the execution, delivery and performance of this Amendment by the Loan Parties have been duly authorized by all necessary action and that this Amendment is a legal, valid and binding obligation of the Loan Parties party hereto, enforceable in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws.

4. Conditions to Effectiveness. This Amendment shall become effective as of the date hereof (the "Second Amendment Effective Date") when each of the following conditions is satisfied (or waived in writing by the Lender):

(a) each of the Lender, the Borrower and each Guarantor shall have received this Amendment duly executed and delivered by or on behalf of each of the other parties hereto;

(b) the Borrower shall have duly executed and delivered to the Lender the Fee Letter dated on or about the date hereof;

(c) the Lender shall have received

(i) updated certificates from the Borrower and the Guarantors satisfying the requirements set forth in Sections 4.1(b) and (d) of the Agreement, except that all references therein to the "A&R Effective Date" shall be deemed to be to the Second Amendment Effective Date, and

(ii) evidence that a process agent shall have accepted appointment to receive service of process on behalf of the Borrower and each Guarantor, in form and substance reasonably satisfactory to the Lender; and

(d) the Borrower shall have paid any and all fees and other amounts due and payable on or before the Second Amendment Effective Date by the Borrower to the Lender to the extent invoiced to the Borrower prior to the Second Amendment Effective Date.

5. Miscellaneous.

1.1 Effectiveness of the Credit Agreement and other Loan Documents Except as hereby expressly amended, the Loan Documents shall each remain in full force and effect, are hereby ratified and confirmed in all respects on and as of the date hereof, and each Loan Party hereby reaffirms its obligations thereunder.

1.2 Loan Document. This Amendment is a Loan Document.

1.3 Counterparts. This Amendment may be executed in any number of counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

1.4 Governing Law; Jurisdiction. Section 9.10 ("Governing Law; Jurisdiction") of the Credit Agreement shall apply *mutatis mutandis* to this Amendment.

[*Remainder of Page Intentionally Left Blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

ARCOS DORADOS HOLDINGS INC.,
as Borrower

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

ARCOS DOURADOS COMERCIO DE ALIMENTOS S.A.
(formerly known as Arcos Dourados Comercio de Alimentos Ltda.),
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

ADCR INMOBILIARIA S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum /s/ Marcelo Rabach
Name: Mariano Tannenbaum Marcelo Rabach
Title: Chief Financial Officer Chief Executive Officer

ARCOS DORADOS COSTA RICA ADCR, S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum /s/ Marcelo Rabach
Name: Mariano Tannenbaum Marcelo Rabach
Title: Chief Financial Officer Chief Executive Officer

ARCOS DORADOS PANAMÁ, S.A.,
as a Guarantor

By:	/s/ Mariano Tannenbaum	/s/ Marcelo Rabach
	Name: Mariano Tannenbaum	Marcelo Rabach
	Title: Chief Financial Officer	Chief Executive Officer

SISTEMAS MCOPCO PANAMÁ, S.A.,
as a Guarantor

By:	/s/ Mariano Tannenbaum	/s/ Marcelo Rabach
	Name: Mariano Tannenbaum	Marcelo Rabach
	Title: Chief Financial Officer	Chief Executive Officer

ARCOS DORADOS PUERTO RICO, LLC,
as a Guarantor

By:	/s/ Mariano Tannenbaum
	Name: Mariano Tannenbaum
	Title: Chief Financial Officer

GOLDEN ARCH DEVELOPMENT LLC,
as a Guarantor

By:	/s/ Mariano Tannenbaum
	Name: Mariano Tannenbaum
	Title: Chief Financial Officer

LENDER:

JPMORGAN CHASE BANK, N.A.,
as Lender

By: /s/ Maurice Dattas

Name: Maurice Dattas

Title: Vice President

Exhibit A

Form of

Borrowing Notice

EXHIBIT A
FORM OF BORROWING NOTICE

JPMorgan Chase Bank, N.A.
Loan Services/Deal Management Team
500 Stanton Christiana Road, Ops 2, Floor 03
Newark, DE, 19713
United States of America

Date of this Notice: [Month] [ ], 20__

Attention:
Account Manager: [Name]
Phone: +1 [xxx xxx xxxx]
Facsimile: +1 [xxx xxx xxxx]
E-mail: [address]

Backup Account Manager: [Name]
Phone: 1 [xxx xxx xxxx]
Facsimile: +1 [xxx xxx xxxx]
E-mail: [address]

Re: Notice under the Amended and Restated Credit Agreement

Ladies and Gentlemen:

Reference is hereby made to that certain Amended and Restated Credit Agreement dated as of December 11, 2020, among JPMorgan Chase Bank, N.A. ("***Lender***"), Arcos Dorados Holdings Inc. (the "***Borrower***"), and certain subsidiaries of the Borrower as "Guarantors" (as amended, extended, supplemented or otherwise modified through the date hereof, the "***Agreement***"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Agreement.

Pursuant to Section 2.2(a) of the Agreement, Borrower hereby irrevocably requests:

(Please select one)
☐ a new Loan (and this notice constitutes a Borrowing Notice)
☐ a conversion of an outstanding Loan (and this notice constitutes an Interest Election Request)
☐ continuation of a Term SOFR Loan with a new Interest Period (and this notice constitutes an Interest Period Election)

as specified below:

Outstanding Loan ☐ Not applicable (this is a new Loan)		**New or resulting Loan**	
Amount:	U.S.$ [Amount]	Amount:	☐ U.S.$ [Amount] ☐ Same as the Outstanding Loan
Date of initial funding:	[Date]	Date of funding, conversion, or continuation:	[Date]*** **(a Banking Day)**
Type:	☐ a Base Rate Loan ☐ a Term SOFR Loan with current Interest Period of: ☐ 1 month ☐ 3 months ☐ 6 months ☐ a Daily Simple SOFR Loan	Type:	☐ a Base Rate Loan ☐ a Term SOFR Loan with an Interest Period of: ☐ 1 month ☐ 3 months ☐ 6 months ☐ a Daily Simple SOFR Loan

***** No earlier than: (i) two (2) Treasury Securities Business Days in the case of a Term SOFR Loan; and (ii) five (5) Treasury Securities Business Days in the case of a Daily Simple SOFR Loan, in each case, after the date of this Borrowing Notice.**

In the case of a new Loan, the undersigned hereby (i) certifies that the conditions specified in Section 4.2 of the Agreement have been satisfied and that, after giving effect to the Loan requested hereby, the aggregate amount of the Loans outstanding shall not exceed the Aggregate Commitment Amount and (ii) directs the Bank to disburse the proceeds of the Loan on the Borrowing Date to the following account:

Name of the Bank:	[Name of the Bank]
Account Name:	[Borrower Name]
ABA Number:	[ABA Number]
Account Number:	[Account Number]

Very truly yours,

ARCOS DORADOS HOLDINGS INC.

By _____
Name:
Title:

[By _____]
[Name:]
[Title:]

Exhibit 4.33

June 24, 2021

To:

Itaú Unibanco S.A. Miami Branch
200 South Biscayne Boulevard, Suite 2100,
Miami, Florida 33131-5336,
USA

CONTINUING STANDBY LETTER OF CREDIT AGREEMENT

Dear Sir or Madam:

In consideration of the issuance by you, Itaú Unibanco S.A. Miami Branch (the **Bank**"), in your sole discretion, of an irrevocable standby letter of credit in order to secure any and all obligations of the undersigned, Arcos Dorados Holdings Inc. (the "**Applicant**", "**us**" or "**we**") to McDonald's Latin America, LLC (the **Beneficiary**") arising upon the occurrence of any of the events expressly set forth under Section 7.9.2 of the Amended and Restated Master Franchise Agreement for McDonald's Restaurants among McDonald's Latin America, LLC, LatAm, LLC, the subsidiaries listed in Exhibit I thereto, Arcos Dorados Holdings Inc. (as successor to Arcos Dorad Limited named therein), Arcos Dorados Cooperatieve U.A., Arcos Dorados B.V. and Los Laureles Ltd., dated as of November 10, 2008, as amended by Amendment No. to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants, dated as of August 31, 2010, Amendment No. 2 to the Amended and Restate Master Franchise Agreement for McDonald's Restaurants, dated as of June 3, 2011 and Amendment No. 3 to the Amended and Restated Master Franchise Agreement fo McDonald's Restaurants, dated as of March 17, 2016 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**Master Franchise Agreement**" and the "**Underlying Obligations**", respectively), substantially in accordance with the terms and conditions provided by the Applicant in the application, duly executed by authorized signatories of the Applicant in the form of Exhibit A hereto (the "**Application**" and the irrevocable standby letter of credit issued in accordance with such conditions, the "**Credit**"), we hereby unconditionally agree with the terms and conditions of this Continuing Standby Letter of Credit Agreement (the "**Agreement**") with respect to the Credit. We understand and agree that you do not have an obligation to issue the Credit upon receipt of an Application.

1. **Reimbursement**

As to drafts, demands or drawings under the Credit which are payable in United States currency, we agree to reimburse you, within 2 (two) Business Days following our receipt of notice of such drafts, at your office in immediately available funds, the amount due on such draft. All amounts due to you, from us, shall be paid at account # 400-945-207 with JP MORGAN CHASE Bank New York, in favor of Itaú Unibanco S.A. Miami Branch, 200 South Biscayne Boulevard, Suite 2100, Miami, Florida 331 5336, USA (or at such other address or pursuant to such other payment instructions you notify to us in writing), without defense, set-off, cross-claim or counterclaim of any kind and free and clear of all present and future taxes, levies, imposts, deductions, charges and withholdings whatsoever.

2. Fees and Expenses

We agree to pay you free and clear of all present and future taxes, levies, imposts, deductions, charges and withholdings whatsoever, in respect of the Credit, the commission set forth in the Application (the "**Fee**") on the payment date(s) specified in such Application, and all reasonable charges and expenses of every kind (including legal services) paid or incurred by you or your correspondents (A) in connection with the Credit, including costs of reserve requirements, if any, and (B) relating to the enforcement of your rights hereunder and claims or demands by you against us (including, without limitation, reasonable attorney's fees) within 2 (two) Business Days following our receipt of notice of such expenses. Additionally, if the Credit has to be re-issued due to the original Credit having been lost, stolen, mutilated or destroyed, the Applicant shall pay to you, as a condition precedent for the re-issuance of the Credit, an additional fee of 1.00% over the amount of the Fee.

The Fee shall be increased in accordance with the following conditions (it being understood, for the avoidance of doubt, that the amount of any such increase shall be payable on the payment date(s) following the delivery of written notice of such increase by you):

(i) if the Net Leverage Ratio calculated pursuant to our quarterly and/or annually consolidated financial statements is greater than 4.5:1.0, then, commencing on the date of such delivery until the delivery of succeeding financial statements with a Net Leverage Ratio equal to or less than 4.5:1.0, the Fee shall be increased automatically as set forth below:

Net Leverage Ratio	Fee
Greater than 4.5:1.0 but less than or equal to 4.75:1.0	Fee increased by 0.25% per annum
Greater than 4.75:1.0 but less than or equal to 5.00:1.0	Fee increased by 0.50% per annum
Greater than 5.00:1.0 but less than or equal to 5.25:1.0	Fee increased by 1.00% per annum
Greater than 5.25:1.0 but less than or equal to 5.50:1.0	Fee increased by 1.50% per annum
Greater than 5.50:1.00	Fee increased by 2.00% per annum

In this provision, the following capitalized terms shall have the respective meanings assigned below:

"**Adjusted Consolidated EBITDA**" shall mean, with respect to any Person on a consolidated basis for any period, Consolidated Net Income for such Person for such period plus (a) the sum of (in each case without duplication and to the extent the respective amounts described in subclauses (i) through (vi) of this clause (a) reduced such Consolidated Net Income for the respective period for which Adjusted Consolidated EBITDA is being determined):

(i) Consolidated Interest Expense for such period;

(ii) provision for taxes based on income, profits or capital of the Applicant and its Subsidiaries for such period determined on a consolidated basis in accordance with U.S. GAAP;

(iii) depreciation and amortization expense of the Applicant and its Subsidiaries for such period determined on a consolidated basis in accordance with U.S. GAAP;

(iv) restructuring charges or reserves (including restructuring costs related to acquisitions after the date hereof and to closure/consolidation of facilities and any fees payable in connection with any franchise disputes);

(v) any other non-operating and/or non-recurring charges, expenses or losses of the Applicant and its Subsidiaries for such period;

(vi) any deductions attributable to minority interests;

minus (b) (in each case without duplication and to the extent the respective amounts described in this clause (b) increased such Consolidated Net Income for the respective period for which Adjusted Consolidated EBITDA is being determined) non-operating and/or non-recurring income or gains (less all fees and expenses related thereto) increasing Consolidated Net Income of the Applicant and the Subsidiaries for such period.

"**Board of Directors**" means, with respect to any Person, the board of directors or similar governing body of such Person or any duly authorized committee thereof.

"**Capitalized Lease Obligations**" means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under U.S. GAAP. For purposes of this definition, the amount of such obligations at any date will be the capitalized amount of such obligations at such date, determined in accordance with U.S. GAAP.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated and whether or not voting) of equity of such Person, including each class of Common Stock, Preferred Stock, limited liability interests or partnership interests, but excluding any debt securities convertible into such equity.

"**Cash Equivalents**" means:

(1) U.S. dollars, or money in the local currency of any country in which the Applicant or any of its Restricted Subsidiaries operates;

(2) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the

United States of America, in each case maturing within one year from the date of acquisition thereof;

(3) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof or any country recognized by the Unites States of America maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the three highest ratings obtainable from either S&P or Moody's or any successor thereto;

(4) commercial paper outstanding at any time issued by any Person that is organized under the laws of the United States of America, any state thereof or any Latin American country recognized by the United States of America and rated P-1 or better from Moody's or A-1 or better from S&P or, with respect to Persons organized outside of the United States of America, a local market credit rating at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's and in each case with maturities of not more than 360 (three hundred and sixty) days from the date of acquisition thereof;

(5) demand deposits, certificates of deposit, overnight deposits and time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any commercial bank that is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America and at the time of acquisition thereof has capital and surplus in excess of US$500 million (or the foreign currency equivalent thereof) and a rating of P-1 or better from Moody's or A-1 or better from S&P or, with respect to a commercial bank organized outside of the United States of America, a local market credit rating of at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's, or with government owned financial institution that is organized under the laws of any of the countries in which the Applicant's Restricted Subsidiaries conduct business;

(6) insured demand deposits made in the ordinary course of business and consistent with the Applicant's or its Subsidiaries' customary cash management policy in any domestic office of any commercial bank organized under the laws of the United States of America or any state thereof;

(7) repurchase obligations with a term of not more than 360 (three hundred and sixty) days for underlying securities of the types described in clauses (2), (3) and (4) above entered into with any financial institution meeting the qualifications specified in clause (5) above;

(8) substantially similar investments denominated in the currency of any jurisdiction in which the Applicant or any of its Restricted Subsidiaries conducts business of issuers whose country's credit rating is at least "BBB-" (or the then

equivalent grade) by S&P and the equivalent rating by Moody's; and

(9) investments in money market funds which invest at least 95% of their assets in securities of the types described in clauses (1) through (8) above.

"**Commodity Agreement**" means, with respect to any Person, any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which such Person is a party designed to manage commodity risk of such Person.

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common equity interests, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common equity interests.

"**Consolidated Interest Expense**" means, with respect to any Person for any period, the sum (without duplication) determined on a consolidated basis in accordance with U.S. GAAP of:

(1) the aggregate of cash and non-cash interest expense of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Applicant) for such period determined on a consolidated basis in accordance with U.S. GAAP, including, without limitation, the following (whether or not interest expense in accordance with U.S. GAAP):

(a) any amortization or accretion of debt discount or any interest paid on Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Applicant) in the form of additional Indebtedness;

(b) any amortization of deferred financing costs;

(c) the net costs under Hedging Obligations (including amortization of fees) in respect of Indebtedness or that are otherwise treated as interest expense or equivalent under U.S. GAAP; provided that if Hedging Obligations result in net benefits rather than costs, such benefits will be credited to reduce Consolidated Interest Expense unless, pursuant to U.S. GAAP, such net benefits are otherwise reflected in Consolidated Net Income;

(d) all capitalized interest;

(e) the interest portion of any deferred payment obligation;

(f) any premiums, fees, discounts, expenses and losses on the sale of accounts receivable (and any amortization thereof) payable by the Applicant or any Restricted Subsidiary in connection with a Permitted Receivables Financing;

(g) commissions, discounts and other fees and charges Incurred in respect of letters of credit or bankers' acceptances; and

(h) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries (Restricted Subsidiarie in the case of the Applicant) or secured by a lien on the assets of such Person or one of its Subsidiaries (Restricted Subsidiaries in the case of the Applicant), whether or not such guarantee or lien is called upon; and

(2) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Applicant) during such period.

"**Consolidated Interest Income**" shall mean, for any period, with respect to any Person and its consolidated Subsidiaries, total interest income, whether paid or accrued, all as determined in accordance with U.S. GAAP.

"**Consolidated Net Income**" shall mean, for any period, with respect to any Person and its Subsidiaries, the aggregate of the Net Income for such period on a consolidated basis, *provided however*, that there will be excluded therefrom to the extent reflected in such aggregate Net Income:

(i) any net after-tax extraordinary, special (reflected as a separate line item on a consolidated income statement prepared in accordance with U.S. GAAP on a basis consistent with historical practices) or non-recurring gain or loss (less all fees and expenses relating thereto) or income or expense or charge including, without limitation, any severance expense, and fees, expenses or charges related to any offering of Equity Interests of the Person;

(ii) any net after-tax income or loss from discontinued operations and any net after-tax gain or loss on disposal of discontinued operations; and

(iii) any net after-tax gain or loss (less all fees and expenses or charges relating thereto) attributable to business dispositions or asset dispositions other than in the ordinary course of business (as determined in good faith by the board of directors of the Person).

"**Consolidated Net Indebtedness**" means, with respect to any Person as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries outstanding at such time less the sum of (without duplication) consolidated cash and Cash Equivalents and consolidated marketable securities recorded as current assets (except for any Capital Stock in any Person) in all cases determined in accordance with U.S. GAAP and as set forth in the most recent consolidated balance sheet of the Applicant and its Subsidiaries.

"**Convertibility Event**" shall mean (a) an act or series of acts (whether through action or inaction), directly or indirectly, taken (or not taken), directed, authorized, ratified or approved by the Host Government that prevents the Subsidiary Guarantor, from directly or indirectly: (i) converting any currency into such payment currency under the Guaranteed Obligations; and/or (ii) transferring outside Brazil the funds needed to comply with Subsidiary Guarantor's obligations hereunder and under the Guaranteed Obligations, as applicable, in such currency and place of payment as corresponding to such Guaranteed Obligations; or (b) failure by the Host Government (or by entities authorized under the laws of Brazil to operate in the foreign exchange markets) to effect a conversion and/or transfer under (a) above on behalf of the Subsidiary Guarantor.

"**Currency Agreement**" means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement as to which such Person is a party designed solely to hedge foreign currency risk of such Person.

"**Disqualified Capital Stock**" means that portion of any Capital Stock which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the sole option of the holder thereof.

"**Equity Interests**" of any Person shall mean any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interest in (however designated) equity of such Person, including, without limitation, any Common Stock, Preferred Stock, any limited or general partnership interest and any limited liability company membership interest.

"**Fair Market Value**" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided* that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Applicant acting in good faith, and will be evidenced by a Board Resolution.

"**Guaranteed Obligations**" shall mean, collectively, the full and punctual payment when due and payable (whether at stated maturity, by acceleration or otherwise) of the Applicant's obligations and liabilities to the Bank (whether such obligations and/or liabilities are due and payable on the date hereof or due and payable from time to time thereafter, whether for principal, interest, fees, expenses, indemnification or otherwise) in respect of the Credit and the Agreement, including without limitation the Applicant's reimbursement obligations for payments made by the Bank under the Credit.

"**Governmental Authority**" shall mean the government of the United States of America, any other nation or any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"**Hedging Obligations**" means the obligations of any Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"**Host Government**" shall mean (a) the present or any succeeding governing authority (without regard to the method of its succession or as to whether it is internationally recognized) in effective control of all or any part of the territory of Brazil or any political or territorial subdivision thereof (including any dependent territory); and (b) any other public authority in or of Brazil on which regulatory powers are conferred by the laws of Brazil or by actions of any other public authority.

"**Incur**" means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation on the balance sheet of such Person (and "Incurrence" and "Incurred" will have meanings correlative to the foregoing); *provided* that (1) any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary of the Applicant will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary of the Applicant and (2) neither the accrual of interest nor the accretion of original issue discount nor the payment of interest in the form of additional Indebtedness with the same terms and the payment of dividends on Disqualified Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Stock or Preferred Stock will be considered an Incurrence of Indebtedness.

"**Indebtedness**" means, with respect to any Person, without duplication:

(1) the principal amount (or, if less, the accreted value) of all obligations of such Person for borrowed money;

(2) the principal amount (or, if less, the accreted value) of all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all Capitalized Lease Obligations of such Person;

(4) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);

(5) all reimbursement obligations in respect of letters of credit, banker's acceptances or similar credit transactions (except to the extent incurred in the ordinary course of business and such obligation is satisfied within 20 (twenty) Business Days of Incurrence);

(6) guarantees and other contingent obligations of such Person in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;

(7) all Indebtedness of any other Person of the type referred to in clauses (1) through (6) above which is secured by any lien on any property or asset of such Person, the amount of such Indebtedness being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the Indebtedness so secured;

(8) all net obligations under Hedging Obligations of such Person (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(9) the amount of all Permitted Receivables Financings of such Person;

(10) all Disqualified Capital Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Capital Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any; *provided* that:

(a) if the Disqualified Capital Stock does not have a fixed repurchase price, such maximum fixed repurchase price will be calculated in accordance with the terms of the Disqualified Capital Stock as if the Disqualified Capital Stock were purchased on any date on which Indebtedness will be required; and

(b) if the maximum fixed repurchase price is based upon, or measured by, the fair market value of the Disqualified Capital Stock, the fair market value will be the Fair Market Value thereof.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingency obligations at such date.

"**Interest Rate Agreement**" means, with respect to any Person, any interest rate protection agreement (including, without limitation, interest rate swaps, caps, floors, collars, derivative instruments and similar agreements) and/or other types of hedging agreements designed solely to hedge interest rate risk of such Person.

"**Issue Date**" means the date of the issuance of the Credit.

"**Net Income**" shall mean, with respect to any Person, the net income (loss) of such Person, determined in accordance with U.S. GAAP.

"**Net Leverage Ratio**" means, with respect to any Person as of any date of determination, the ratio of the aggregate amount of Consolidated Net Indebtedness for such Person as of such date to Adjusted Consolidated EBITDA for such Person for the four most recent full fiscal consecutive quarters of the Applicant for which financial statements are available ending prior to the date of such determination.

"**Permitted Receivables Financing**" means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires accounts receivable of the Applicant or any Restricted Subsidiaries and enters into a third party financing thereof on terms that the Board of Directors has concluded are customary and market terms fair to the Applicant and its Restricted Subsidiaries.

"**Person**" shall mean any individual, partnership, joint venture, firm, corporation, association, limited liability company, trust or other enterprise or any Governmental Authority.

"**Preferred Stock**" means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"**Restricted Subsidiary**" means any Subsidiary of the Applicant, which at the time of determination is not an Unrestricted Subsidiary.

"**Securitization Subsidiary**" means a Subsidiary of the Applicant:

1. that is designated a "Securitization Subsidiary" by the Board of Directors,
2. that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity necessary, incidental or related thereto,
3. no portion of the Indebtedness or any other obligation, contingent or otherwise, of which
   (a) is guaranteed by the Applicant or any Restricted Subsidiary of the Applicant,
   (b) is recourse to or obligates the Applicant or any Restricted Subsidiary of the Applicant in any way, or
   (c) subjects any property or asset of the Applicant or any Restricted Subsidiary of the Applicant, directly or indirectly, contingently or otherwise, to the satisfaction thereof,
4. with respect to which neither the Applicant nor any Restricted Subsidiary of the Applicant (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve its

financial condition or cause it to achieve certain levels of operating results other than, in respect of clauses (3) and (4), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

"**Subsidiary**" means, with respect to any Person, any other Person of which such Person owns, directly or indirectly, more than 50% of the voting power of the other Person's outstanding Voting Stock.

"**Unrestricted Subsidiary**" shall mean the Subsidiaries that are designated as Unrestricted Subsidiaries by the Applicant's Board of Directors. It being understood that any such designation may be revoked by the Applicant's Board of Directors.

"**Voting Stock**" means, with respect to any Person, securities of any class of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the board of directors (or equivalent governing body) of such Person. The term "normally entitled" means without regard to any contingency.

(ii) upon the occurrence and during the continuance of an Event of Default (other than an Event of Default under Section 9(B) hereto arising from a default in respect of Section 8(xiv)) the Fee shall be increased automatically by 1.00% per annum (for the avoidance of doubt, an Event of Default shall not be deemed to have occurred hereunder until the relevant cure period shall have expired); and

(iii) upon the occurrence and during the continuance of any default by us in the performance of any of the covenants set forth in Section 8 clauses (i)(a), (i)(b), (v), (vi) or (vii) (that shall continue to be unremedied for a period of 30 (thirty) days from the occurrence of such default), the Fee shall be increased automatically by 0.50% per annum, *provided* that (a) if such event results from a default in the performance of any covenant set forth in Section 8 clauses (i)(a) or (i)(b) and it has not been cured within 60 (sixty) days after it first occurred, the Fee shall be increased automatically by 0.75% per annum, and (b) if such event results from a default in the performance of any covenant under Section 8 clauses (i)(a) or (i)(b) and it has not been cured within 90 (ninety) days after it first occurred, the Fee shall be increased automatically by 1.00% per annum.

Provided that, notwithstanding anything to the contrary set forth in the foregoing, in no event shall the Fee at any time exceed more than 2.00% per annum the level stated in the Application.

For purposes of the foregoing, (*i*) the Net Leverage Ratio shall be determined as of the end of each fiscal quarter of the Applicant's fiscal year, based upon the financial statements for the four most recent full fiscal consecutive quarters of the Applicant for which financial statements are available ending prior to the date of such determination, and (*ii*) each change in the Fee resulting from a change in the Net Leverage Ratio shall be effective during the period commencing on and including the date of delivery to the Bank of the financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change.

The Fee shall be due notwithstanding any cancellation of the Credit prior to the scheduled expiry date thereof. In such case, you shall not be required to return any amounts to the Applicant.

3. Interest

From the date of payment of any draft, demand or drawing under the Credit by you to the Beneficiary, and until complete payment by us to you of any amounts due hereunder, if any amount, including without limitation principal, interest, fees, premiums, expenses or any other amount, is not paid when due (whether at maturity, by acceleration or otherwise), we agree to pay you interest per annum at a rate equal to 3% (three percent).

4. Acceptance

You may accept or pay any draft, document or other written or electronic demand for payment under the Credit, even if such demand is not in the form of a negotiable instrument, appearing on its face to substantially comply with the terms and conditions of the Credit and be signed or presented by the appropriate person, including, if any, the beneficiary's successors or any other person required by the Credit. You do not have a duty to grant our waivers of discrepancies, nor to seek waivers of discrepancies from us. You may honor (and shall be entitled to reimbursement plus interest, if any) a previously dishonored presentation under the Credit, whether pursuant to court order, to settle or compromise any claim that it was wrongfully dishonored or otherwise. You do not have a duty to extend the term of the Credit or issue a replacement Credit. None of these circumstances shall cause you or any of your affiliates or correspondents to be liable to us. You do not have any duty to notify us of your receipt of a demand presented under the Credit or of your decision to honor such demand, but you will notify us in case you decide not to honor a demand, within 1 (one) Business Day from such decision.

Additionally, due to the nature of the Credit, and regardless of any language included therein (or any interpretation thereof that could be made in that respect), you shall have no obligation or responsibility for (i) the verification of actual occurrence of any event regarding the Underlying Obligations, (ii) the verification of the actual default by the Applicant of any of the Underlying Obligations and/or (iii) due diligence over the documentation detailed in the Credit (other than verifying that the Sight Draft and the Drawing Certificate – as defined in the Credit – conform with the forms attached to the Credit and all blanks thereto have been completed). In this respect, any declaration or statement of the Beneficiary (including the character of the "Authorized Officers" as defined in the Credit) shall be deemed as valid and undisputable under the Credit, without any duty of verification or due diligence whatsoever on your part.

Also, since the Credit creates a first demand payment obligation, any payment made by you to the Beneficiary shall be at all times regarded as valid and duly made in your respect. Any further claims shall be brought between the Beneficiary and us, it being understood that you will have duly complied with your duties under the Credit by delivering prompt payment to the Beneficiary.

5. Obligations

Our obligations under this Agreement (the "Obligations") shall be unqualified, absolute, unconditional, irrevocable and payable in the manner and method provided herein, irrespective of:

(i) any action taken or not taken or suffered by you or any of your correspondents or affiliates, if done in "good faith" as defined in Article 5 of the New York Uniform Commercial Code, in connection with any Credit or related drafts, documents or property,

(ii) any lack of validity or enforceability of any document, instrument or agreement relating to the Underlying Obligations;

(iii) any amendment or waiver of or any consent to departure from all or any of the provisions of any document, instrument or agreement relating to the Underlying Obligations;

(iv) the existence of any claim, setoff, defense or other right which we or you may have at any time against the Beneficiary, against you or any other person or entity, whether in connection with this Agreement or any document, instrument or agreement relating to the Underlying Obligations;

(v) any statement, draft or any other document presented under the Credit or in connection therewith proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(vi) payment by you under the Credit against presentation of a demand or certificate that does not comply with the terms of such Credit, provided that neither your determination that documents presented under such Credit comply with the terms thereof, nor such payment, shall have constituted gross negligence or willful misconduct of your part, or failure to comply with the relevant standard of care prescribed by the Uniform Commercial Code; and

(vii) any other act or omission to act or delay of any kind by you or any other person or any other event or circumstance whatsoever that might, but the provisions of this section, constitute a legal or equitable discharge or defense to our obligations hereunder.

We acknowledge that your rights and obligations under the Credit are independent of the existence, performance or nonperformance of any contract or arrangement underlying the Credit entered into between us and any other party other than you and that the Credit issued under this Agreement shall be irrevocable. Your responsibility concerning the payment in respect to the Underlying Obligations will not exceed the limit of Credit set forth in the Application.

Payment under certain earlier stand by letter of credit: as here declared by us, (i) Credit Suisse AG has issued the Irrevocable Standby Letter of Credit, dated as o November 10, 2008, between Credit Suisse AG and McDonald's Latin America, LLC (the "CS SBLC") in similar terms as the Credit to be issued by you. To the extent t CS SBLC is then in effect we agree we shall use our commercially reasonable best efforts to cause the Beneficiary to make demands for drawings under the CS SBLC prior any demands for drawings under the Credit.

6. Indemnification and Limitation on Liability

Unless otherwise provided herein, you may, without incurring any liability or impairing your entitlement to reimbursement under this Agreement, honor the Credit despite notice from us of, and without any duty to inquire into, any defense to payment or any adverse claims or other rights against the Beneficiary or any other person. You will not be regarded as the drafter of the Credit, even if you assisted in preparing the text of the Credit or amendments thereto. You will not be liable for any consequential or special damages, or for damages resulting from fluctuations in the value of foreign currency, goods, services or other property covered by the Credit.

We will indemnify and hold you, your correspondents and your officers, directors, affiliates, employees, attorneys and agents (collectively, the "Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, costs and expenses, including reasonable attorney's fees and disbursements, other dispute resolution expenses and costs of collection that arise out of or in connection with: (A) the issuance of the Credit, (B) any payment, acceptance or action taken or not taken, (C) the enforcement o this Agreement or (D) any act or omission, whether rightful or wrongful, of any present or future *de jure* or *de facto* governmental authority or any other cause beyond your control or the control of your correspondents or agents, except with respect to clauses (A) to (C) above to the extent a court of competent jurisdiction finds, in a final, non-appealable judgment, that it resulted from such Indemnitees' gross negligence or willful misconduct. We will pay within 2 (two) Business Days after the Applicant's receipt of notice of such due, all amounts owing under this Section.

Neither you nor your correspondents shall assume any liability to anyone for failure to pay or to accept a demand under the Credit if such failure is due to any applicable legal or regulatory restriction in force at the time and place of presentment. Unless otherwise provided herein, neither you nor your correspondents shall be responsible for (A) verifying the existence of any act, condition or statement made by any party in relation to their drawing or presentment under the Credit or in verifying or passing judgment on the reasonableness of any statement made by any party in relation to their drawing or presentment under the Credit or requesting or requiring the presentation of any document, including a default certificate, not required under the terms and conditions of the Credit, (B) the identity or authority of any signer or the form, validity, sufficiency, accuracy, legal effect or genuineness of documents presented under the Credit, including documents relating to transfer or assignment of rights under the Credit, if such documents on their face appear to comply with the terms of the Credit, even if such documents should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged, (C) each Credit's effectiveness or suitability for our purpose, (D) any delay or failure to give any notice, (E) any breach of contract between the Beneficiary and ourselves, (F) any act or failure to act by the Beneficiary or the solvency of the Beneficiary, (G) the failure to arrive of any drafts or other documents which have been sent to you, (H) errors, omissions, interruptions or delays in transmission or delivery of any message, advice, document or proceeds in connection with the Credit, by mail, courier, cable, telegraph, wireless, telex or otherwise, or for errors in interpretation of technical terms or in translation, whether or not

they be in cipher, and (I) any error, neglect or default, suspension or insolvency of any of the correspondents you have selected in your commercially reasonable discretion. None of the above shall affect, impair, or prevent the vesting of any of your rights or powers hereunder.

7. Consents and Approvals

We agree to promptly procure any licenses or certificates that you may reasonably consider to be necessary in connection with the execution of the contract, agreement or understanding underlying the Credit, and to provide you with any copies of documents, agreements or evidence and information, including financial information regarding the undersigned, as you may reasonably require or request from time to time.

8. Covenants

We shall, until any and all of our obligations hereunder are paid in full:

(i) furnish to you, either electronically or in hard copies, (a) within 120 (one hundred and twenty) days after the close of each fiscal year, our consolidated balance sheet and the related consolidated statements of income and retained earnings and statements of cash flows for such year, certified by an independent public accountant, prepared in accordance with U.S. GAAP and fairly present in all material respect our financial condition as of such date and (b) within 90 (ninety) days after the close of each quarterly accounting period, our consolidated balance sheet and the related consolidated statements of income and retained earnings and statements of cash flows for such quarterly accounting period, prepared in accordance with U.S. GAAP and fairly representing in all material respect our financial condition as of such date and (c) together with the information detailed in (a) and (b) above, as the case may be, a certified statement regarding level of the Net Leverage Ratio, the Consolidated Net Indebtedness and the Adjusted Consolidated EBITDA.

(ii) promptly, and in any event within 3 (three) Business Days after we deliver the same to the Beneficiary, furnish to you copies of all certificates that we may deliver to the Beneficiary, in accordance with Section 7.19 of the Master Franchise Agreement,

(iii) promptly, and in any event within 3 (three) Business Days after any of our authorized officers (or those of our Subsidiaries) obtains knowledge thereof, furnish to you notice of (i) the occurrence of any event which constitutes and Event of Default; (ii) the occurrence of any Effective Termination or an automatic termination pursuant to Section 22.5 of the Master Franchise Agreement and the date of such occurrence, (iii) any notice of any claim pending or threatened in writing (a) against ourselves, our controlling or holding entities or any of our Subsidiaries party to the Master Franchise Agreement, which could reasonably be expected to have a Material Adverse Effect (as defined below) or (b) with respect to this Agreement or the Master Franchise Agreement, which could reasonably be expected to result in the exercise of any remedies under, or termination of, this Agreement or the Master Franchise Agreement.

(iv) promptly, and in any event within 3 (three) Business Days after we deliver the same to the Beneficiary under the Master Franchise Agreement, furnish to you notice of any pending or threatened environmental claim against ourselves or our Subsidiaries.

(v) use our commercially reasonable efforts to ensure we retain our material rights (and those of our affiliates) under the Master Franchise Agreement taken as a whole.

(vi) do, and cause each of our Subsidiaries to do, all things necessary to preserve and keep in full force and effect our (and their) existence and material rights, franchises, licenses, permits, copyrights, trademarks and patents, *provided however*, that nothing in this provision shall (a) prevent our or any of our Subsidiaries withdrawal of its qualification as a foreign company in any jurisdiction if such withdrawal could not, either individually or in aggregate, reasonably be expected to have a Material Adverse Effect; or (b) require us or any of our Subsidiaries to preserve or keep in full force and effect any right franchises, license, permits, copyrights, trademarks or patents, if the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(vii) comply, and will cause each of our Subsidiaries to comply, with all applicable laws of, and all applicable restrictions imposed by all governmental authorities in respect of the conduct of our business and the ownership of our property, except such noncompliance as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(viii) keep proper books of record and accounts in which full, true and correct entries in accordance with applicable GAAP and all requirements of law shall be made of all dealings and transactions in relation to our business and activities.

(ix) perform all of our obligations under the terms of each mortgage, indenture, security agreement, loan agreement or credit agreement and each other agreement, contract or instrument by which we are bound (including, without limitation (a) all obligations under the Master Franchise Agreement and any other document relating thereto and (b) all claims of materialmen or warehousemen which, if unpaid, might by operation of the law give rise to a lien) except to extent that the failure to perform such obligations (a) could not reasonably be expected to have a Material Adverse Effect or (b) with respect to the payment, observance or performance of any indebtedness (other than our obligations hereunder) would not give rise to an Event of Default.

(x) pay and discharge all taxes, assessments and governmental charges or levies imposed upon us or our profits or income, or upon any of our property and all lawful claims, provided that we shall not be required to pay any such tax, assessment, charge, levy or claim to the extent that (a) the validity or amount thereof is being contested in good faith by appropriate proceedings diligently pursued, (b) we have maintained on our books adequate reserves with respect thereto in accordance with the applicable GAAP and (c) the failure to make payment pending such contest would not reasonably be expected to result in a Material Adverse Effect.

(xi) regarding ourselves and our Subsidiaries, to (a) keep property necessary to our business and such of our Subsidiaries in good working order and condition, ordinary wear and tear excepted, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) maintain with financially sound and reputable insurance companies insurance on all such property and against all such risks as is consistent and in accordance with industry practice for companies similarly situated owning similar properties and engaged in similar businesses as we or our Subsidiaries, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(xii) not permit ourselves or any of our Subsidiaries , on a consolidated basis, to cease to be solvent at any time.

(xiii) not (a) cause or permit any direct or indirect transfer, in whole or in part, of the Master Franchise Agreement and (b) amend, modify, change or waive any term or provision of the Master Franchise Agreement without your consent, unless such amendment, modification, change or other action could not reasonably be expected to be adverse in any material respect to your interests (it being understood that any amendment, modification or waiver to the Master Franchise Agreement that makes the terms of such agreement less restrictive to, or burdensome on, the Applicant shall be deemed not adverse to your interests).

(xiv) not permit the Net Leverage Ratio for any period ending on the last day of a fiscal quarter to be greater than 4.5:1.0.

(xv) not, without your prior consent, take or cause to be taken any action to make a "Debt Assumption Election" (as defined in the Master Franchise Agreement) under Section 21.6.2. of the Master Franchise Agreement;

(xvi) inform you the Unrestricted Subsidiaries, in case they are designated by the Applicant's Board of Directors; and

(xvii) As of July 31, 2022, every and each standby letter of credit issued by a financial entity in favor of the Beneficiary, in compliance with the provisions set forth in the Master Franchise Agreement, shall have Arcos Dorados Holdings Inc., as applicant. If, as of such date, such covenant is not in compliance, the Bank will have the right to replace the Credit with the issuance of a standby letter of credit in favor of the Beneficiary, having Arcos Dorados B.V. as applicant (the "SBLC ADBV"). The Applicant shall cause Arcos Dorados B.V. to comply with the KYC process in order to be able to issue the SBLC ADBV. Such SBLC ADBV will have a fee of 2.75% n.a.

For the purposes of this clause "Material Adverse Effect" shall be understood as any material adverse effect on (a) our business, condition (financial or otherwise), operations, performance or properties or those of our Subsidiaries, or (b) the ability of us or any of our Subsidiaries to perform its duties under any document, instrument or agreement related to the Underlying Obligations.

9. Outstanding Amount. Events of Default

The outstanding amount under the Credit shall be reduced by the amount of any drawing under it, until the reimbursement of such amount and all other amounts ther due and payable for which reasonably-detailed written invoices have been delivered to us, in which case the outstanding amount shall be increased (but in no event exceeding the Total Amount, as defined in the Application) in the amount of the reimbursed amounts detailed above only after 5 (five) days from the receipt of such funds, at your satisfaction. The obligation of increasing the outstanding amount under the Credit shall not be binding against you if one of the following events of default (each of these, ar "Event of Default") shall, in your sole reasonable opinion, have occurred and be continuing:

A. a default in the payment of any amount due and payable to you, your assigns or successors to Itaú Unibanco S.A. and/or any of its affiliates, controlled controlling entities or entities under common control with Itaú Unibanco S.A. under this Agreement;

B. a material violation or breach of any of the other terms and conditions of this Agreement (including without limitation, a default in the performance of any of the covenants set for in Section 8 above, other than Section 8 clauses (i)(a), (i)(b), (v), (vi) and (vii).

C. an Event of Default under the Applicant's 6.625% Senior Notes due 2023 and 5.875% Senior Notes due 2027 as defined in the terms and conditions applicabl to such notes;

D. in respect to the Guarantee Letter (as defined below) if upon the occurrence of any of the following: (i) the aggregate revenues from the Subsidiary Guarantor (as defined below) represent at any time less than 50% of total Adjusted Consolidated EBITDA of the Applicant, measured quarterly over consolidated financia statements of the Applicant; or (ii) a Convertibility Event, or (iii) any other event, circumstance or fact that directly or indirectly prevents the Subsidiary Guarantor from complying with its obligations under the Guarantee Letter or under the Guaranteed Obligations, as applicable, in the same terms and conditions as agreed i the Guaranteed Obligations;

E. the filing by ourselves of a petition or answer or consent seeking relief under Title 11 of the United States Code, as now or hereafter in effect, or the initiation of a similar or comparable proceeding under any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by us to the institution of proceedings under such Title 11 or a similar or comparable proceeding under any such other law or to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) with respect to ourselves or any part of our property, or the making by us of any assignment for the benefit of creditors, or our failure to generally pay our debts as they become due, or the taking of corporate or other action to authorize any of the foregoing;

F. the entry of a decree or order by a court having jurisdiction for relief in respect of ourselves under Title 11 of the United States Code, as now or hereafter in effect, or any similar or comparable action of any court having jurisdiction under any other applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of ourselves or any part of our properties, or ordering the winding-up or the liquidation of our affairs;

G. a proceeding or case shall be commenced, without the application or consent on our part in any court of competent jurisdiction, seeking (a) our liquidation, dissolution, arrangement or winding-up, or the composition or readjustment or our debts, (b) the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of ourselves or any part of our properties or our assets; or (c) similar relief in respect to ourselves under any law relating to bankruptcy, insolvency, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of 45 (forty five) days;

H. any material provision of the Agreement shall for any reason cease to be valid and binding on us or we shall so state in writing;

I. it is or will reasonably expected to become unlawful for us to perform or comply with any one or more of our material obligations under the Agreement;

J. the occurrence and continuance of a Material Breach (as such term is defined in the Master Franchise Agreement) under the Master Franchise Agreement, whic Material Breach shall continue for 90 (ninety) days from the date such Material Breach first occurred and shall not have been waived;

K. the failure by the Master Franchisee (as such term is defined in the Master Franchise Agreement) to comply with any of its obligations under Section 7.20 of th Master Franchise Agreement; or

L. the occurrence of any of the above events to any person or entity that guarantees any of our obligations under this Agreement (including without limitation, the issuer of the Guarantee Letter).

Upon the occurrence of an Event of Default, you shall have the right to send to us a notice of Event of Default as detailed in the Credit. As long as the Event of Default is st continuing, there shall be no obligation on your part to increase the outstanding amount under the Credit.

10. Remedies

We agree that if at any time or from time to time you shall retain an attorney for the enforcement or protection of your rights hereunder, then upon each such retention, said reasonable attorney's fees will be immediately due and owing by us.

11. Amendments and Modifications

We agree that this Agreement shall be binding on us with respect to any extension of the maturity or time for presentment of drafts, or documents, any increase in the amount of the Credit or any other modification of the terms of any Credits, made at our request or with our consent. Our Obligations shall not be reduced or impaired in an way by any agreement you and the Beneficiary may make to extend your time to honor drafts or to give notice of discrepancies.

12. Waiver

You shall not be deemed to have any of your rights waived hereunder unless you or your authorized agent shall have signed such waiver in writing. No failure on your part to exercise and no delay in exercising any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by you of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. We further agree that your rights, remedies and powers hereunder shall continue unimpaired and that we shall be and remain obligated in accordance with the terms hereof notwithstanding the partial exercise by you of any right, remedy or power, at any time or times, or of any rights or interests therein, or any delay, extension of time, renewal, release, substitution or addition of parties, compromise or other indulgence granted by you, in reference to any of the Obligations, or any promissory note, draft, demand, document, bill of exchange or other instrument given in connection therewith, we hereby waive all notice of any delay, extension, release, substitution, renewal, compromise or other indulgence, and hereby consent to be bound as fully and effectually as if we had expressly agreed thereto in advance.

13. Successors and Assigns

The Obligations hereof shall continue in force, and apply, notwithstanding any change in our corporate structure, membership or ownership, and the Obligations hereof shall bind us and our representatives, successors and permitted assigns, and all rights, benefits and privileges hereby conferred on you shall be and hereby are extended to and conferred upon and may be enforced by your successors and assigns. Neither party may transfer or otherwise assign its rights and obligations hereunder, in whole or in part, without the consent of the other party hereto, except if an Event of Default has occurred under this Agreement and/or the Application, in which case you may freely transfer or otherwise assign your rights and obligations hereunder, without the need of prior notification or consent from us but with the prior written consent of the Beneficiary. However, you may grant participation in your rights and obligations hereunder without any prior notification or consent, *provided* that any such participation arrangement shall not in any way diminish your status or obligations under this Agreement or the Credit; *provided, further*, that we shall have no obligation to provide any notice or information pursuant to this Agreement to any person other than you and the terms and conditions applicable to us shall remain unchanged. You may disclose information pertaining to us, as it relates to this Agreement or the Credit, solely to actual or potential transferees, assignees affiliates or contractors provided that such parties agree to maintain the confidentiality of such information or as otherwise required by law.

14. Notice

Notices and demands under this Agreement shall be in writing, delivered by hand, courier, first class mail postage prepaid or registered mail and will be effective, if to you, when sent to your address appearing above, and if to us, when sent to our address appearing below with our signature, or any such other address as either party hereto may inform the other parties in writing. Notices to the Beneficiary shall be effective when sent to the address maintained in your records and we shall hold you harmless against any claim by the Beneficiary of non-receipt of any notice.

15. Promissory Note and Guarantee Letter. Representations and Warranties

The Applicant shall deliver to you (a) a promissory note evidencing its obligations hereunder (hereinafter referred to as "Promissory Note") issued by the Applicant and guaranteed by Arcos Dourados Comercio de Alimentos S.A. (the "Subsidiary Guarantor") in the form of Exhibit B hereto; and (b) a guarantee letter to be granted by the Subsidiary Guarantor guarantying the full and punctual payment when due (whether at stated maturity, by acceleration or otherwise) of the Applicant's obligations and liabilities to you (whether such obligations and/or liabilities are presently due or will become due in the future, whether for principal, interest, fees, expenses, indemnification or otherwise) in respect of the Credit and this Agreement, including, without limitation, the Applicant's reimbursement obligations for payments made by you under the Credit (the "Guarantee Letter"). The failure of the Applicant to comply with any obligation to reimburse you for drawings under the Credit or with any obligation to pay the Fee, costs and/or taxes in respect to this Agreement, the Application or the Credit, when such amounts are due and payable, will entitle you to claim immediately the Promissory Note and/or the Guarantee Letter or resort any other remedies in order to receive payments in respect of the Credit,*provided* that you shall have the power to offset any of its credits hereunder with any credits or deposits the Applicant may have with you. For the avoidance of doubt, the right to offset any credits hereunder granted by the immediately preceding sentence shall not apply to any credits or deposits that any of the Applicant's affiliates or Subsidiaries may have with you.

The Applicant represents and warrants that: (i) it has all necessary corporate or other power, authority and legal right to execute, deliver and perform its obligations under this Agreement and under the Promissory Note; (ii) the execution, delivery and performance by the Applicant of this Agreement and the Promissory Note have been duly authorized by all necessary action on the part of the Applicant; (iii) this Agreement, the Application and the Promissory Note have been duly executed and delivered by the Applicant, and constitute the Applicant's legal, valid and binding obligations, enforceable against the Applicant in accordance with their respective terms; and (iv) the obligations of the Applicant under the Agreement and under the Promissory Note do not require consent from any person pursuant to any applicable laws or, to the extent such consent is required, it has already been obtained, has not been revoked and is in full force and effect on the date hereof.

The Applicant acknowledges that each of the following are conditions precedent to you issuing the Credit in accordance with this Agreement: the delivery of (i) the Promissory Note, (ii) the Guarantee Letter, (iii) a board of directors' resolution of the Subsidiary Guarantor approving the execution of the Guarantee Letter, (iv) a board of directors' resolution of the Applicant approving the transaction contemplated herein and (v) a capacity legal opinion of (a) Lefosse Advogados, special Brazilian counsel to the Bank, in relation to the Guarantee Letter and (b) Maples and Calder, special British Virgin Islands counsel to the Bank, in relation to the Agreement, in each case, in form and substance satisfactory to the Bank.

16. Entire Agreement; Rights and Remedies Cumulative.

This Agreement constitutes the entire agreement between the parties concerning your issuance of the Credit for our account and supersedes all prior or simultaneous agreements. Each and every right, remedy and power hereby granted to you or allowed to you by law or other agreement shall be cumulative and not exclusive of any other and may be exercised by you from time to time.

17. Termination; Survival.

This is a continuing agreement and shall remain in effect until your receipt of our written notice of termination. Termination of this Agreement shall not release us from any existing liability for our Obligations, or resulting from or relating to the Credit.

It is expressly understood you shall be released from your obligations under the Credit upon occurrence of the earliest to occur of any of the expiry dates provided therein, but only to the extent that the Beneficiary has not presented to you before such date any proper demand for payment under the Credit which remains to be paid to the Beneficiary.

18. Defined terms; Interpretation; Severability.

The term "Application" as used in this Agreement means a written and signed application substantially in the form of Exhibit A attached hereto that we deliver to you or such other writing that we deliver to you with sufficient information to enable you to prepare and issue or amend the Credit for our account. The term "Business Day" as used in this Agreement means any day other than (a) a Saturday or Sunday or (b) a day on which commercial banks are required or authorized by law or by local proclamation to close in the city or cities specified herein or if no city is so specified, in New York City and in São Paulo. The word "property" as used in this Agreement includes cash proceeds, deposit accounts, goods and documents relative thereto, securities, funds, and any and all other forms of property, whether real, personal or mixed and any right or interest therein.

Headings are included only for convenience. The term "including" means "including without limitation". If any provision of this Agreement is held illegal or unenforceable, the validity of the remaining provisions shall not be affected. Delivery of a signed signature page to this Agreement via fax shall be as effective as physical delivery of the signed original counterpart.

19. Governing Law; Service of Process; Waivers.

Each Credit shall be subject to the International Standby Practices 1998, International Chamber of Commerce (ICC) Publication 590 (ISP 98) in effect at the sam time of the issuance of such Credit. This Agreement and the rights and obligations of all parties hereto shall be governed by the laws of the State of New York, United States of America, including, without limitation, Section 5-1401 of the New York General Obligations Law, but excluding any conflicts of law principles that would lead to the application of the laws of another jurisdiction. The provisions herein are supplemental to, and not in substitution of the ISP 98 to the extent consistent with (and not in limitation of) the provisions of this Agreement.

We irrevocably submit to the non-exclusive jurisdiction of any state courts sitting in the City of New York, New York, United States of America or in the United States District Court for the Southern District of New York and irrevocably waive any objection to venue or claim of inconvenience to such courts. We agree not to bring any action in connection herewith in any jurisdiction outside of New York, New York. We irrevocably consent to service of process by sending copies of such process to our notice address indicated near our signature below. Final judgment against us in any action or proceeding shall be enforceable against us in other jurisdictions in accordance with applicable law. We irrevocably waive any immunities from jurisdiction of any court or legal process that we (or our property) may now have or later acquire with respect to our Obligations.

WE, THE APPLICANT AND YOU, EACH IRREVOCABLY WAIVE OUR RIGHTS TO A JURY TRIAL OF ANY CLAIM, COUNTERCLAIM O OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE CREDIT OR ANY DEALINGS WITH ONE ANOTHER RELATIN SUBJECT MATTER OF THIS AGREEMENT.

Very truly yours,

By **Arcos Dorados Holdings Inc.** (the "Applicant").

Signature	/s/ Mariano Tannebaum	Signature	/s/ Marcelo Rabach
Name:	Mariano Tannebaum	Name:	Marcelo Rabach
Title:	Chief Financial Officer	Title:	Chief Executive Officer

Itaú Unibanco S.A. and its branches, affiliates and Subsidiaries offer financial services worldwide to a broad range of customers. Applicants acknowledge and accept that Ita Unibanco S.A. or any of its branches, affiliates or Subsidiaries may perform more than one role in relation to a certain Credit, including to advise the Credit.

For Bank Use Only

Itaú Unibanco S.A. Miami Branch approval section

Signature	Signature
Name:	Name:
Title:	Title:

Exhibit A
Application for Standby Letter of Credit

Itaú Unibanco S.A. Miami Branch
Attention: Operations Department

Applicant Name: Address:	Expiry Date (drafts must be presented on or before this date):
Advising Bank Name: Address:	Total Amount (the "Total Amount"):
Beneficiary: Name: Address:	Letter of Credit No. Date:

This Application is for the issuance of standby letter of credit so as to secure any and all obligations of the undersigned, Arcos Dorados Holdings Inc. (the "Applicant") to McDonald's Latin America, LLC (the "Beneficiary") arising upon the occurrence of any of the events expressly set forth under Section 7.9.2 of the Master Franchise Agreement for McDonald's Restaurants among McDonald's Latin America, LLC, LatAm, LLC, the subsidiaries listed in Exhibit I thereto, Arcos Dorados Holdings Inc. successor to Arcos Dorados Limited named therein), Arcos Dorados Cooperatieve U.A., Arcos Dorados B.V. and Los Laureles Ltd., dated as of November 10, 2008 (the "Underlying Obligations"), substantially in the form of Exhibit I hereto (the "Credit"), and under and subject to the terms and conditions of the Continuing Standby Letter of Credit Agreement dated _____, (the "Agreement") to be available by sight payment with Itaú Unibanco S.A. Miami Branch against presentation of (select all that apply):

__1. A demand conforming with the requirements specified in the attached form of Standby Letter of Credit.

____2. Additional terms and conditions:_____ _____ (*if necessary, attach signed addendum to this Application*).

The Applicant shall pay Itaú Unibanco S.A. Miami Branch on each anniversary from the date hereof a commission of 2.75% per annum (computed on the basis of actual number of days elapsed over a 360-day year), in advance, calculated over the Total Amount, even if at the due date of payment the outstanding amount under the Credit is less than such Total Amount (the "Fee"). Such Fee shall be paid on _____ (*insert payment date*) together with the amounts corresponding to any applicable withholding tax.

The Credit shall be transmitted by SWIFT. All banking charges are for the account of the Applicant.

In consideration of the establishment of the Credit substantially as applied for herein, we have read the Agreement and agree that its terms and conditions are made a part of this Application and are hereby accepted by us.

Applicant's Name:	Applicant Address:
Date:	Date:

Applicant may submit an executed copy of this Application in original form to Itaú Unibanco S.A. Miami Branch, 200 South Biscayne Boulevard, Suite 2100, Miami, Flori 33131-5336, USA and Applicant will be bound by such given instructions.

EXHIBIT I
FORM OF THE CREDIT

IRREVOCABLE STANDBY LETTER OF CREDIT
No. [_]

June [__], 2021

McDonald's Latin America, LLC
c/o McDonald's Corporation
2915 Jorie Boulevard
Oak Brook, IL 60523
Attention: Treasurer, McDonald's Corporation

Sir/Madam:

At the request and for the account of ARCOS DORADOS HOLDINGS INC., a private company with limited liability organized under the laws of British Virgin Isl (together with its successors and assigns, the "*Obligor*"), Itaú Unibanco S.A. Miami Branch, (together with its successors and assigns, the "*Bank*"), hereby establishes in favor of McDONALD'S LATIN AMERICA, LLC (together with its permitted successors and assigns, "*McDonald's*" or the "*Beneficiary*"), this Irrevocable Standby Letter o Credit in an amount equal to US$15,000,000.00 (the "*Original Stated Amount*") which is available upon presentation of your sight draft in the form of Exhibit 1 (the "*Sight Draft*"), accompanied by a drawing certificate in the form of Exhibit 2 (the "*Drawing Certificate*"). The Original Stated Amount is subject to adjustment as provided herein. In no event shall the amount available for drawing hereunder from time to time, adjusted as aforesaid (the "*Stated Amount*") exceed the Original Stated Amount.

The following capitalized terms shall have the respective meanings assigned below (each such meaning to be equally applicable to the singular and plural forms of the respective terms so defined):

"*Authorized Officer*" means any of the chief executive officer, president, chief financial officer, general counsel, treasurer, director, vice president, assistant vice president, managing member, manager and any officer with equivalent authority.

"*Bank's Presentation Office*" means (*i*) 200 South Biscayne Boulevard, Suite 2100, Miami, Florida 33131-5336, USA or (*ii*) such other branch or office of the Bank in the United States of America which may be designated by the Bank by written notice to the Beneficiary.

"*Brazil MFA*" means the second amended and restated master franchise agreement dated as of November 10, 2008, between McDonald's and Arcos Dourados Comercio de Alimentos, Ltda., as amended, modified or supplemented from time to time in accordance with such agreement.

"*Business Day*" means any day except Saturday, Sunday and any day which shall be in New York, New York, a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close.

"*Call Option Settlement*" means the later to occur of (*x*) the deposit of cash in U.S. dollars in an amount equal to the Call Option Price with the Escrow Agent or any Trustee as the case may be, in accordance with Section 3.4 (*Payment of Call Option Price*) of the McDonald's Intercreditor Agreement, and (*y*) (i) the release of the Equity Interests of the Master Franchisee and the MF Subsidiaries to McDonald's (as such terms are defined in the McDonald's Intercreditor Agreement); and (ii) the release of all Liens of the Bank Creditors and the L/C Bank with respect to such Equity Interests, all in accordance with the McDonald's Intercreditor Agreement.

"*End Date*" means June [__], 2024.

"*Effective Termination*" means the termination by McDonald's of the Master Franchisee Rights with respect to all Territories then subject to the Master Franchise Agreement and the Brazil MFA, which shall be deemed to have occurred on the earlier of (a) the date set forth in a written notice, which, notice shall be reasonably satisfactory in form and scope to McDonald's to give effect to the provisions hereof, delivered by Master Franchisee to McDonald's acknowledging such termination with respect to all such Territories; provided that (i) such written notice shall serve only as evidence of Master Franchisee's agreement that the grant of Master Franchisee Rights is of no further force or effect and that all Master Franchisee Parties must cease all exercise of Master Franchisee Rights as and in the manner contemplated by this Agreement; and (ii) such written notice or the absence thereof shall not be in derogation of the rights of Master Franchisee to assert the wrongfulness of such termination or the rights of McDonald's to take all appropriate action to enforce its termination of the Master Franchisee Rights; and (b) the last date on which a final non-appealable judgment is rendered with respect to (i) the termination date of the Master Franchise Agreement with respect to all Territories; and (ii) the amount of damages awarded to McDonald's in connection therewith.

"*Master Franchise Agreement*" means the Amended and Restated Master Franchise Agreement for McDonald's Restaurants, dated as of November 10, 2008, among McDonald's, the Master Franchisee, each of the MF Subsidiaries and the other parties named therein, as amended by Amendment No. 1 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants, dated as of August 31, 2010, Amendment No. 2 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants, dated as of June 3, 2011 and Amendment No. 3 to the Amended and Restated Master Franchise Agreement for McDonald's Restaurants, dated as of March 17, 2016, and as amended, modified or supplemented from time to time in accordance with such agreement.

"*Master Franchisee*" means LatAm, LLC, a limited liability company organized under the laws of the State of Delaware.

"*Master Franchisee Parties*" means the Master Franchisee and each of the MF Subsidiaries.

"*Master Franchisee Rights*" means the rights granted by McDonald's to the Master Franchisee under Section 3.1 of the Master Franchise Agreement.

"*MF Subsidiaries*" means each of the subsidiaries of the Master Franchisee listed in Exhibit 1 to the Master Franchise Agreement, as such exhibit may be updated from time to time.

"*Territory*" means each of Argentina, Aruba, Brazil, Chile, Colombia, Costa Rica, Curaçao, Ecuador, French Guiana, Guadeloupe, Martinique, Mexico, Panama, Peru, Puerto Rico, Uruguay, Venezuela and the U.S. Virgin Islands of St. Thomas and St. Croix. "*Territories*" has a correlative meaning.

Demand for payment may be made by the Beneficiary under this Letter of Credit at any time during the Bank's business hours at the Bank's Presentation Office on a Busines Day at or before the Expiration Date. The Bank hereby irrevocably authorizes a drawing in respect of such a demand on any Business Day at or prior to the Expiration Date accordance with the terms and conditions hereinafter set forth, and such drawing shall be in an amount not exceeding the then-applicable Stated Amount. Only the Beneficiary may make a drawing under this Letter of Credit. Partial drawings are allowed under this Letter of Credit.

Each drawing hereunder shall be made after the Beneficiary used its commercially reasonable efforts to draw the amount due under the Irrevocable Standby Letter of Credit dated as of November 10, 2008, between Credit Suisse AG and McDonald's, by presentation to the Bank by facsimile (facsimile no. +351 21 388 7219 or such othe facsimile number as the Bank may notify to the Beneficiary in writing from time to time), followed by physical delivery (it being understood that if a drawing is made by facsimile followed by physical delivery, then (*i*) physical delivery shall not be a condition necessary for payment and (*ii*) the demand for payment shall be deemed made upon the earlier of receipt by the Bank of the facsimile and physical delivery) or by physical delivery alone, of a Sight Draft, together with a fully-completed applicable Drawing Certificate, each purporting to be signed by an Authorized Officer of the Beneficiary and in the form set forth in Exhibit 1 and Exhibit 2, respectively. Each Sight Draft and each Drawin Certificate shall be dated the respective date of presentation to the Bank of such Sight Draft and Drawing Certificate. Presentation of such documents shall be made to th Bank at the Bank's Presentation Office. If a Sight Draft or Drawing Certificate presented by the Beneficiary does not conform to the forms attached hereto or is not du completed, the Bank shall give the Beneficiary prompt notice, and in any event within 2 (two) Business Days after such presentation, that the demand for payment was no effected in accordance with the terms and conditions of this Letter of Credit, stating the reason therefor and that the Bank will upon the Beneficiary's instructions hold any Sigh Draft and Drawing Certificate at the Beneficiary's disposal or return the same to the Beneficiary. Upon being notified that a demand for payment was not effected in conformity with this Letter of Credit, the Beneficiary may correct any such non-conforming demand for payment at any time prior to the Expiration Date.

If demand for payment is made by the Beneficiary hereunder at or prior to 10:00 A.M. (New York time) on a Business Day, and*provided* that such demand for payment and the Sight Draft and Drawing Certificate presented in connection therewith conform to the terms and conditions hereof, then payment shall be made to the Beneficiary in th amount demanded, in immediately-available U.S. dollar funds, in accordance with the Beneficiary's payment instructions to the Bank, not later than 5:00 P.M. (New York time) on the next Business Day. If demand for payment is made by the Beneficiary hereunder after 10:00 A.M. (New York time) on a Business Day, and*provided* that such demand for payment and the Sight Draft and Drawing Certificate presented in connection therewith conform to the terms and conditions hereof, payment shall be made to the Beneficiary in the amount demanded, in immediately-available U.S. dollar funds, in accordance with the Beneficiary's payment instructions to the Bank, not later than 5:00 P.M (New York time) on the second Business Day following the day the demand is made.

The Stated Amount of this Letter of Credit shall be reduced by the amount of any drawing hereunder until the reimbursement of such amount and all other amounts then due and payable for which reasonably-detailed written invoices have been delivered to the Obligor, in each case in accordance with the terms of the Application and the Continuing Standby Letter of Credit Agreement dated as of June 24, 2021, relating to this Letter of Credit, (as amended, amended and restated, supplemented or otherwise modified from time to time, the "*Reimbursement Agreement*"), between Obligor and the Bank. The Stated Amount shall be increased by the amount of any reimbursement pursuant to the terms of the Reimbursement Agreement unless, prior to or on the date of reimbursement, the Bank shall have delivered to the Obligor and the Beneficiary a notice of Event of Default in the form of Exhibit 3 (a "*Notice of Event of Default*"). If the Obligor shall have received a Notice of Event of Default, then the Stated Amount shall not be increased until the Obligor or the Beneficiary shall have delivered to the Bank, and the Bank shall have countersigned in acknowledgement, a subsequent notice of cure in the form of Exhibit 4 (a "*Notice of Cure*"), and within 5 (five) days upon the delivery of such a Notice of Cure, the Stated Amount shall increase by the amount of such reimbursement.

This Letter of Credit shall expire (the date of such expiration, the "*Expiration Date*") at the close of business at the counters of Itaú Unibanco S.A. Miami Branch, on the earliest to occur of the following:

(a) the End Date;

(b) the date of the Bank's receipt of a certificate of the Beneficiary, signed by an Authorized Officer of the Beneficiary, stating that a Call Option Settlement has occurred;

(c) the date that is 30 (thirty) Business Days after the date specified in a certificate of the Beneficiary delivered to the Bank as being the date on which an Effective Termination has occurred, purportedly signed by an Authorized Officer of the Beneficiary, stating that an Effective Termination has occurred and the date of such occurrence;

(d) the date of the Bank's receipt of a written notice from the Obligor, and countersigned by an Authorized Officer of the Beneficiary, authorizing the Bank to cancel this Letter of Credit, *provided* that the original of this Letter of Credit must accompany such written notice, and *provided further* that the Obligor may not deliver such a notice for effect as of any date prior to the day falling two years prior to the then applicable Expiration Date other than with the written consent of the Bank, which consent may be granted or withheld by the Bank in its sole discretion; and

(e) the date that is 30 (thirty) Business Days after the date specified in a certificate of the Beneficiary, purportedly signed by an Authorized Officer of the Beneficiary, delivered to the Bank as being the date on which an automatic termination pursuant to Section 22.5 of the Master Franchise Agreement has occurred.

It is expressly understood by the Beneficiary that any and all obligations of the Bank under this Letter of Credit shall cease to exist upon occurrence of the Expiration Date and from that date on the Bank will be released of any and all of such obligations, even if the original of this Letter of Credit is not returned to the Bank or if any of the statements declarations or notices stated in (b), (c), (d) or (e) above turn out not to be true, applicable or accurate.

The Bank acknowledges that the obligations of the Bank hereunder are independent from any obligation of Obligor or of any other person. All payments made under this Lette of Credit shall be made solely from funds or assets of the Bank, and not from any funds or assets or other property whatsoever of the Obligor or any other person.

This Letter of Credit is non-negotiable and shall inure only to the benefit of the Beneficiary. The Beneficiary may transfer any of its rights or benefits hereunder upon the Bank' express written consent (which consent may be granted or withheld by the Bank in its sole discretion). Any purported assignment of proceeds or transfer without such consent shall be null and void.

If the original of this Letter of Credit has been lost, stolen, mutilated or destroyed, upon receipt of *(i)* in the case of loss, theft or destruction of this Letter of Credit, a certificate purportedly signed by an Authorized Officer of the Beneficiary to such effect and indemnifying the Bank against any loss, costs, damages or expense which may arise as a resul of such loss, theft or destruction; or *(ii)* in the case of mutilation of this Letter of Credit, upon receipt of the mutilated Letter of Credit, the Bank will issue a replacement Lette of Credit within 5 (five) Business Days in favor of the Beneficiary dated the same date, marked "Duplicate of Original" or similar, in an amount equal to the Stated Amount an on the same terms and with the same Expiration Date as this Letter of Credit. The loss, theft, mutilation or destruction of the original of this Letter of Credit shall be witho prejudice to the rights of the Beneficiary to make drawings hereunder pending its receipt of a replacement Letter of Credit in accordance with this paragraph.

This Letter of Credit shall be subject to and governed by the International Standby Practices, International Chamber of Commerce (ICC), Publication No. 590 (ISP 98) a the laws of the State of New York (including Article 5 of the Uniform Commercial Code, as adopted in the State of New York) and, in the event of any conflict, the laws of the State of New York will control.

All disputes relating to the interpretation, meaning, enforcement and payment of this Letter of Credit shall be subject to the exclusive jurisdiction of a state or federal court sitting in the county of New York in the state of New York. In the event any such dispute arises, each party hereto irrevocably submits to personal jurisdiction in a state or federal court sitting in the county of New York in the state of New York for all matters related to this Letter of Credit.

Communications and notices with respect to this Letter of Credit shall be in writing and shall be addressed to the respective addresses set forth below or such other address as may hereafter be furnished by such party to the other parties by like notice. Communications shall specifically refer to the reference number of this Letter of Credit. Notices sen by hand or overnight courier shall be deemed to have been given when actually received and notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, such notices shall be deemed to have been given at the opening of business on the next Business Day for the recipient).

If to Beneficiary:

McDonald's Latin America, LLC
c/o McDonald's Corporation
2915 Jorie Boulevard
Oak Brook, IL 60523
Facsimile: (630) 623-5211
Attention: Treasurer McDonald's Corporation

With a copy to:

McDonald's Corporation
2915 Jorie Boulevard
Oak Brook, IL 60523
Facsimile: 630-623-7012
Attention: General Counsel

If to Bank:

Itaú Unibanco S.A. Miami Branch
200 South Biscayne Boulevard, Suite 2100, Miami, Florida 33131-5336, USA

If to Obligor:

Arcos Dorados Holdings Inc.
c/o Arcos Dorados Argentina S.A
Roque Saenz Peña 432 - Olivos - Bs. As.
Argentina - B1636FFB
Tel. (54-11) 4711-2000
Fax: (54-11) 4711-2236
Attn: Lucas Brizuela

This Letter of Credit sets forth in full the undertakings of the Bank, and the undertakings hereunder shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein except for the Exhibits hereto, and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such Exhibits.

[*Remainder of this page intentionally left blank*]

Very truly yours,

By Itaú Unibanco S.A. Miami Branch

_____

Name:
Title:

EXHIBIT 1

IRREVOCABLE STANDBY LETTER OF CREDIT
No. [_____]

[Letterhead of Beneficiary]

SIGHT DRAFT

[_____], 20__

AT SIGHT
PAY TO: _____

_____

_____

_____

_____
[Beneficiary Address]

U.S. $_____ (_____Dollars)
[Insert amount not exceeding U.S. $_____] [Insert amount in words]

[insert WIRE INSTRUCTIONS (To include name
and account number of Beneficiary)]

FOR VALUE RECEIVED AND DRAWN UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NO. [____] DATED [_____] ISSUED BY

By McDonald's Latin America, LLC

_____

Name:
Title:

EXHIBIT 2

IRREVOCABLE STANDBY LETTER OF CREDIT
No. [_____]

DRAWING CERTIFICATE

The undersigned, an Authorized Officer of McDonald's Latin America, LLC (the "*Beneficiary*"), hereby certifies in connection with the above-referenced Irrevocable Standby Letter of Credit (the "*Letter of Credit*"; any capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Letter of Credit), as follows:

(a) McDonald's Latin America, LLC is the current Beneficiary under the Letter of Credit. Payment of U.S.$_____ [insert amount] (the "LC Payable") is hereby demanded from the Bank under the Letter of Credit, which amount does not exceed the currently applicable Stated Amount.

(b) The Beneficiary is the beneficiary of certain payment obligations of the Obligor under the Master Franchise Agreement. One of the events described in Section 7.9.2 of the Master Franchise Agreement has occurred and is continuing.

(c) The Beneficiary has used its commercially reasonable efforts to draw an amount equal to the LC Payable under the Irrevocable Standby Letter of Credit, dated as of November 10, 2008, between Credit Suisse AG and McDonald's Latin America, LLC.

Payment of the amount demanded hereunder should be made to the Beneficiary at [wire transfer details].

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the ____ day of [_____] 20[_].

By McDonald's Latin America, LLC

_____
Name:
Title: Authorized Officer

EXHIBIT 3

IRREVOCABLE STANDBY LETTER OF CREDIT

NOTICE OF EVENT OF DEFAULT

ARCOS DORADOS HOLDINS INC.,
c/o Forrestal Capital, Limited Company
1221 Brickell Avenue #1170
Miami, FL 33131
facsimile: (305) 961-2844
Attention: []

Re: Irrevocable Standby Letter Of Credit No. [___]
Notice of Event of Default

Sir/Madam:

The undersigned, an Authorized Officer of [ ], hereby notifies you, in connection with the above-referenced Irrevocable Standby Letter of Credit (the "*Letter of Credit*"; any capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Letter of Credit), that an Event of Default (as that term is defined in the Reimbursement Agreement relating to the Letter of Credit, dated as of [ ], between Obligor and the Bank, and further amended, modified and supplemented from time to time) has occurred and is continuing as of the date of this certificate.

By Itaú Unibanco S.A. Miami Branch

_____
Name:
Title:

cc: McDonald's Latin America, LLC

IRREVOCABLE STANDBY LETTER OF CREDIT
No. [_____]

NOTICE OF CURE

Itaú Unibanco S.A. Miami Branch

Re: Irrevocable Standby Letter Of Credit No. [_____]
Notice of Cure

Sir/Madam:

The undersigned, an Authorized Officer of ARCOS DORADOS HOLDINGS Inc., hereby notifies you, in connection with the above-referenced Irrevocable Standby L of Credit (the "*Letter of Credit*"; any capitalized term used and not otherwise defined herein shall have the meaning assigned to it in the Letter of Credit), that the Event o Default (as that term is defined in the Reimbursement Agreement relating to the Letter of Credit, dated as of [____], between Obligor and the Bank, and further as amended modified and supplemented from time to time) set forth in the Notice of Event of Default, dated [____], that the undersigned previously received from you, has been cured as of [date].

By [ARCOS DORADOS HOLDINGS INC.]
[McDONALD'S LATIN AMERICA, LLC]

_____

_____
Name:
Title:

Acknowledged:

By Itaú Unibanco S.A. Miami Branch

_____
Name:
Title:

EXHIBIT B
FORM OF THE PROMISSORY NOTE

Amount: US$_____
_____ *(Date)* _____

FOR VALUE RECEIVED, the undersigned, Arcos Dorados Holdings Inc., a company limited by shares incorporated and existing under the laws of the British Virgin Islands, registered with company number 1619553 and having its registered office at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands (the "Borrower"), **HEREBY IRREVOCABLY AND UNCONDITIONALLY PROMISES TO PAY AT SIGHT (*A VISTA*)** to the order of **ITAÚ UNIBANCO S.A. Miami Branch** (the "Lender"), the principal sum equal to the aggregate due and unpaid amount at any time regarding (i) the reimbursement of any drawings made under the Credit pursuant to Section 1 of the Agreement (as defined below) and (ii) the Fee, expenses and taxes pursuant to Section 2 of the Agreement. The Borrower also promises to pay interest on the outstanding principal amount hereof at the rates and payable at such times as are specified in the Agreement. Wherever used in this Promissory Note, unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Agreement.

Both principal and interest hereunder are payable in lawful money of the United States of America without setoff or counterclaim (in immediately available U.S. Dollars) to the Lender, no later than 12:00 noon (New York City time) at its Account JP MORGAN CHASE, New York, NY; ABA 021000021; SWIFT CHASUS33; Num 400945207 (ITAUUS33INY), in favor of ITAU UNIBANCO S.A. Miami Branch, free and clear of, and without deduction for, any and all present and future taxes, lev imposts, deductions, charges and withholdings whatsoever.

In the event the principal amount of this Promissory Note is not paid in full when due, such unpaid principal amount shall carry interest from the due date thereof until the date payment is received by the holder hereof (after as well as before judgment) at the rate per annum specified in the Agreement.

The Borrower hereby waives all requirements as to diligence, presentment, demand of payment, protest and notice of any kind with respect to this Note. The failure o any holder of this Promissory Note to exercise any of its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

This Promissory Note is the Promissory Note referred to in the "CONTINUING STAND BY LETTER OF A CREDIT AGREEMENT" (the "Agreement"), da of June 24, 2021, signed by the Borrower and the Lender, which among other things, contains provisions for the acceleration of the maturity hereof upon the happening o certain stated events therein specified.

This Promissory Note shall be governed by and construed in accordance with the laws of the State of New York, United States of America, as specified in th Agreement.

In respect to the enforcement of this Promissory Note (as well as regarding any acts or procedures related to such enforcement) the Borrower irrevocable submits to the competence and jurisdiction of the state courts sitting in the City of New York, New York, United States of America or in the United States District Court for the Southern District of New York, waiving any right it may have to be judged by the courts corresponding to its jurisdiction of incorporation.

EACH OF THE BORROWER AND THE LENDER BY ITS ACCEPTANCE HEREOF, VOLUNTARILY AND INTENTIONALLY WAIV THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE DI OR INDIRECTLY ARISING UNDER OR RELATED TO THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY AND AGRE ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

ISSUER: BORROWER

By ARCOS DORADOS HOLDINGS INC.

_____

Name:
Title:
ID Nº:

GUARANTOR: ARCOS DOURADOS COMERCIO DE ALIMENTOS S.A.

By Arcos Dourados Comercio de Alimentos S.A.

_____

Name:
Title:
ID Nº:

Exhibit 4.34

SUBSIDIARY JOINDER AGREEMENT

SUBSIDIARY JOINDER AGREEMENT (this "Agreement") dated as of October 27, 2021 by Arcos Dorados Puerto Rico, LLC, a limited liability company (the "Additional Guarantor"), in favor of JPMorgan Chase Bank, N.A., as Lender (the "Lender"). Unless otherwise defined herein, capitalized terms used herein and defined in that certain Amended and Restated Credit Agreement, dated as of December 11, 2020 (as amended, restated, extended, supplemented or otherwise modified from time to time, the "Credit Agreement;" the terms defined therein being used herein as therein defined), among Arcos Dorados Holdings Inc., a company incorporated under the laws of the British Virgin Islands (the "Borrower"), certain Subsidiaries of the Borrower, as Guarantors, and the Lender, are used herein as therein defined and the rules of construction set forth in Section 1.2 thereof shall apply hereto.

WHEREAS, the Borrower has entered into the Credit Agreement providing for the making of Loans,

WHEREAS, in connection with the Credit Agreement, certain of the Borrower's Subsidiaries have entered into (or are required to enter into) the Credit Agreement as Guarantors thereunder,

WHEREAS, pursuant to Section 5.5 of the Credit Agreement, the Borrower is required to cause one or more additional Subsidiaries to become a party to the Cred Agreement as Guarantors, and

WHEREAS, the Additional Guarantor desires to execute and deliver this Agreement in order to become a party to the Credit Agreement pursuant to Section 5.5 of the Credit Agreement,

NOW, THEREFORE, IT IS AGREED as follows:

SECTION 1. Joinder.

(a) By executing and delivering this Agreement, the Additional Guarantor hereby becomes a party to the Credit Agreement as a "Guarantor" thereunder, expressly assumes all obligations and liabilities of a "Guarantor" thereunder and ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement.

(b) Without limiting the generality of the terms of paragraph (a), the Additional Guarantor hereby unconditionally and irrevocably guarantees the prompt payment and performance of the Obligations in full when due (whether at stated maturity, upon acceleration or otherwise), and agrees that if the Borrower fails to pay any Obligation when due, it will forthwith, on written demand, pay the amount not so paid at the place and in the manner specified in the Credit Agreement, including, in particular, in accordance with Section 2.12 of the Credit Agreement (and without duplication of any amount thereof previously paid by any other Guarantor thereunder and not rescinded or refunded), and that in the case of any extension of time of payment or renewal of any of the Obligations, the same

will be promptly paid in full when due (whether at extended maturity, upon acceleration or otherwise) in accordance with the terms of such extension or renewal. The Additional Guarantor further agrees that its guarantee hereunder and under the Credit Agreement constitutes a guarantee of payment when due and not of collection and that the obligations of the Guarantors under the Credit Agreement shall be joint and several. The Additional Guarantor hereby acknowledges that it has received a copy of the Credit Agreement, as it may have been amended or supplemented from time to time.

(c) The Additional Guarantor hereby makes each of the representations and warranties contained in Article III of the Credit Agreement on the date hereof as if such representations and warranties were made as of the date hereof, after giving effect to this Agreement.

(d) The Additional Guarantor hereby waives acceptance by the Lender of the Guaranty by the Additional Guarantor upon the execution of this Agreement by the Additional Guarantor.

SECTION 2.Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures were upon the same agreement.

SECTION 3.Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW O YORK (NOT INCLUDING SUCH STATE'S CONFLICT OF LAWS PROVISIONS OTHER THAN SECTION 5-1401 OF THE NEW YORK G OBLIGATIONS LAW).

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

ARCOS DORADOS PUERTO RICO, LLC

By	/s/ Mariano Tannenbaum
Name:	Mariano Tannenbaum
Title:	Treasurer

ACKNOWLEDGED:

JPMORGAN CHASE BANK, N.A., as the Lender

By	/s/ Christophe Vohmann
Name:	Christophe Vohmann
Title:	Executive Director

Exhibit 4.35

SUBSIDIARY JOINDER AGREEMENT

SUBSIDIARY JOINDER AGREEMENT (this "Agreement") dated as of October 27, 2021 by Golden Arch Development LLC, a limited liability company (the "Additional Guarantor"), in favor of JPMorgan Chase Bank, N.A., as Lender (the "Lender"). Unless otherwise defined herein, capitalized terms used herein and defined in that certain Amended and Restated Credit Agreement, dated as of December 11, 2020 (as amended, restated, extended, supplemented or otherwise modified from time to time, the "Credit Agreement;" the terms defined therein being used herein as therein defined), among Arcos Dorados Holdings Inc., a company incorporated under the laws of the British Virgin Islands (the "Borrower"), certain Subsidiaries of the Borrower, as Guarantors, and the Lender, are used herein as therein defined and the rules of construction set forth in Section 1.2 thereof shall apply hereto.

WHEREAS, the Borrower has entered into the Credit Agreement providing for the making of Loans,

WHEREAS, in connection with the Credit Agreement, certain of the Borrower's Subsidiaries have entered into (or are required to enter into) the Credit Agreement as Guarantors thereunder,

WHEREAS, pursuant to Section 5.5 of the Credit Agreement, the Borrower is required to cause one or more additional Subsidiaries to become a party to the Cred Agreement as Guarantors, and

WHEREAS, the Additional Guarantor desires to execute and deliver this Agreement in order to become a party to the Credit Agreement pursuant to Section 5.5 of the Credit Agreement,

NOW, THEREFORE, IT IS AGREED as follows:

SECTION 1. Joinder.

(a) By executing and delivering this Agreement, the Additional Guarantor hereby becomes a party to the Credit Agreement as a "Guarantor" thereunder, expressly assumes all obligations and liabilities of a "Guarantor" thereunder and ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement.

(b) Without limiting the generality of the terms of paragraph (a), the Additional Guarantor hereby unconditionally and irrevocably guarantees the prompt payment and performance of the Obligations in full when due (whether at stated maturity, upon acceleration or otherwise), and agrees that if the Borrower fails to pay any Obligation when due, it will forthwith, on written demand, pay the amount not so paid at the place and in the manner specified in the Credit Agreement, including, in particular, in accordance with section 2.12 of the Credit Agreement (and without duplication of any amount thereof previously paid by any other Guarantor thereunder and not rescinded or refunded), and that in the case of any extension of time of payment or renewal of any of the Obligations, the same will be promptly paid in full when due (whether at extended maturity, upon acceleration or otherwise) in accordance with the terms of such extension or renewal. The Additional Guarantor further

agrees that its guarantee hereunder and under the Credit Agreement constitutes a guarantee of payment when due and not of collection and that the obligations of the Guarantors under the Credit Agreement shall be joint and several. The Additional Guarantor hereby acknowledges that it has received a copy of the Credit Agreement, as it may have been amended or supplemented from time to time.

(c) The Additional Guarantor hereby makes each of the representations and warranties contained in Article III of the Credit Agreement on the date hereof as if such representations and warranties were made as of the date hereof, after giving effect to this Agreement.

(d) The Additional Guarantor hereby waives acceptance by the Lender of the Guaranty by the Additional Guarantor upon the execution of this Agreement by the Additional Guarantor.

SECTION 2.Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures were upon the same agreement.

SECTION 3.Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW C YORK (NOT INCLUDING SUCH STATE'S CONFLICT OF LAWS PROVISIONS OTHER THAN SECTION 5-1401 OF THE NEW YORK (OBLIGATIONS LAW).

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

GOLDEN ARCH DEVELOPMENT LLC

By	/s/ Mariano Tannenbaum
Name:	Mariano Tannenbaum
Title:	Vice President, Treasurer, Chief Financial Officer and Controller

ACKNOWLEDGED:

JPMORGAN CHASE BANK, N.A., as the Lender

By /s/ Christophe Vohmann
Name: Christophe Vohmann
Title: Executive Director

Exhibit 8.1

Subsidiaries of Registrant

Name	Place of Incorporation
Adcon S.A.	Argentina
Administrative Development Company	Delaware
Aduy S.A.	Uruguay
Alimentos Arcos Dorados de Venezuela C.A.	Venezuela
Alimentos Latinoamericanos Venezuela ALV, C.A.	Venezuela
Arcgold del Ecuador, S.A.	Ecuador
Arcos del Sur, S.R.L.	Uruguay
Arcos Dorados Argentina S.A.	Argentina
Arcos Dorados Aruba N.V.	Aruba
Arcos Dorados B.V.	Netherlands
Arcos Dorados Caribbean Development Corp.	Delaware
Arcos Dorados Colombia S.A.S	Colombia
Arcos Dorados Costa Rica ADCR, S.A.	Costa Rica
ADCR Inmobiliaria, S.A.	Costa Rica
Arcos Dorados Curacao, N.V.	Curacao
Arcos Dorados Development B.V.	Netherlands
Arcos Dorados French Guiana	French Guiana
Arcos Dorados Group B.V.	Curacao
Arcos Dorados Guadeloupe	Guadeloupe
Arcos Dorados Martinique	Martinique
Arcos Dorados Panama, S.A.	Panama
Arcos Dorados Puerto Rico, LLC	Puerto Rico
Arcos Dorados Restaurantes de Chile, Ltda.	Chile
Arcos de Valparaiso SpA	Chile
Arcos Dorados Trinidad Limited	Trinidad and Tobago
Arcos Dorados USVI, Inc.(St. Croix)	USVI
Arcos Dourados Comercio de Alimentos S.A.	Brazil
Arcos Dourados Restaurantes Ltda.	Brazil
Arcos SerCal Inmobiliaria, S. de R.L. de C.V.	Mexico
Restaurantes ADMX, S. de R.L. de C.V.	Mexico
Arcos Dorados BraPa S.A.	Panama
Compañía de Inversiones Inmobiliarias S.A.	Argentina
Complejo Agropecuario Carnico (Carnicos), C.A.	Venezuela
Arcos Dorados Uruguay S.A.	Uruguay
Gerencia Operativa ARC, C.A.	Venezuela
Compañía Operativa de Alimentos COR, C.A.	Venezuela
Golden Arch Development LLC	Delaware
LatAm, LLC	Delaware
Logistics and Manufacturing LOMA Co.	Delaware
Management Operations Company	Delaware
Operaciones Arcos Dorados de Perú, S.A.	Peru
Sistemas Central America, S.A.	Panama
Sistemas McOpCo Panama, S.A.	Panama
Arcos Dorados Latam LLC	Delaware

Arcos Mendocinos S.A.	Argentina
Arcos Dourados Empreendimentos Imobiliarios Ltda	Brazil
ADC Real Estate SpA	Chile
AD Inmobiliaria Colombia S.A.S.	Colombia
Sociedad de Inversiones CSL Ltd	Chile

EXHIBIT 12.1

CERTIFICATION

I, Marcelo Rabach, certify that:

1. I have reviewed this annual report on Form 20-F of Arcos Dorados Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2022

/s/ Marcelo Rabach
Name: Marcelo Rabach
Title: Chief Executive Officer

EXHIBIT 12.2

CERTIFICATION

I, Mariano Tannenbaum, certify that:

1. I have reviewed this annual report on Form 20-F of Arcos Dorados Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 29, 2022

/s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

EXHIBIT 13.1

CERTIFICATION

The certification set forth below is being submitted in connection with the annual report of Arcos Dorados Holdings Inc. on Form 20-F for the year ended December 31, 2021 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code. Marcelo Rabach, the Chief Executive Officer of Arcos Dorados Holdings Inc., certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Arcos Dorados Holdings Inc.

Date: April 29, 2022

/s/ Marcelo Rabach
Name: Marcelo Rabach
Title: Chief Executive Officer

EXHIBIT 13.2

CERTIFICATION

The certification set forth below is being submitted in connection with the annual report of Arcos Dorados Holdings Inc. on Form 20-F for the year ended December 31, 2021 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code. Mariano Tannenbaum, the Chief Financial Officer of Arcos Dorados Holdings Inc., certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Arcos Dorados Holdings Inc.

Date: April 29, 2022

/s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statement:

(1) Registration Statement (Form S-8 No. 333-173496) pertaining to the Equity Incentive Plan of Arcos Dorados Holdings Inc;

of our reports dated March 16, 2022 (except Note 27.c, as to which the date is April 29, 2022) and March 16, 2022, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting of Arcos Dorados Holdings Inc., respectively, included in this Annual Report (Form 20-F) for the year ended December 31, 2021.

Buenos Aires, Argentina
April 29, 2022

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.
Member of Ernst & Young Global