

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023

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)

Río Negro 1338, First Floor

Montevideo, Uruguay, 11100

(Address of principal executive offices)

Juan David Bastidas

Chief Legal Officer

Arcos Dorados Holdings Inc.

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Montevideo, Uruguay 11100

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(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: 130,654,969

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.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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 "AR\$\$" 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 "Chilean pesos" or "CLPs." are to the Chilean 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, Mexican and Chilean 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, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, which have been audited by Pistrelli, Henry Martin y Asociados S.R.L., member Firm of Ernst & Young Global Limited, as stated in their report included elsewhere in this annual report.

Our fiscal year ends on December 31. References in this annual report to a fiscal year, such as "fiscal year 2023," relate to our fiscal year ended on December 31 of that calendar year.

Operating Data

Our operations are comprised of 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 16 restaurants in Argentina and Chile. We consider these restaurants to be Company-operated restaurants. We also have granted developmental licenses to 7 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 in most joint ventures the Company exercises control or 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:

- general economic, political, social, demographic and business conditions in Latin America and the Caribbean;
- fluctuations in inflation, interest rates 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;
- unforeseen events, such as disruptions, natural disasters, adverse weather conditions, war, such as the Russia-Ukraine war and the conflict in the Middle East, pandemics and other catastrophic events, such as hurricanes and earthquakes;
- 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 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;

- climate-related conditions, regulations, targets and weather events;
- changes in our liquidity or the availability of lines of credit and other sources of financing;
- 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, 2023 and 2022 and the income statement data for the years ended December 31, 2023, 2022 and 2021 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 Martín y Asociados S.R.L., member firm of Ernst & Young Global Limited.

Our operations are comprised of three geographic divisions, as follows: (i) Brazil (ii) NOLAD, which 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 consists of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao.

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,		
	2023	2022	2021
	(in thousands of U.S. dollars, except for per share data)		
Income Statement Data:			
Sales by Company-operated restaurants	\$ 4,137,675	\$ 3,457,491	\$ 2,543,907
Revenues from franchised restaurants	194,203	161,411	116,034
Total revenues	4,331,878	3,618,902	2,659,941
Company-operated restaurant expenses:			
Food and paper	(1,457,720)	(1,227,293)	(899,077)
Payroll and employee benefits	(790,042)	(668,764)	(482,608)
Occupancy and other operating expenses	(1,154,334)	(967,690)	(772,169)
Royalty fees	(249,278)	(194,522)	(131,401)
Franchised restaurants—occupancy expenses	(83,359)	(68,028)	(50,627)
General and administrative expenses	(285,000)	(239,263)	(210,909)
Other operating income, net	1,894	11,080	26,369
Total operating costs and expenses	(4,017,839)	(3,354,480)	(2,520,422)
Operating income	314,039	264,422	139,519
Net interest expense and other financing results	(32,275)	(43,750)	(49,546)
Loss from derivative instruments	(13,183)	(10,490)	(5,183)
Foreign currency exchange results	10,774	16,501	(9,189)
Other non-operating (expenses) income, net	(1,238)	(287)	2,185
Income before income taxes	278,117	226,396	77,786
Income tax expense, net	(95,702)	(85,476)	(31,933)
Net income	182,415	140,920	45,853
Less: Net income attributable to non-controlling interests	(1,141)	(577)	(367)
Net income attributable to Arcos Dorados Holdings Inc.	\$ 181,274	\$ 140,343	\$ 45,486
Earnings per share:			
Basic net income per common share attributable to Arcos Dorados	\$ 0.86	\$ 0.67	\$ 0.22
Diluted net income per common share attributable to Arcos Dorados	\$ 0.86	\$ 0.67	\$ 0.22

	As of December 31,		
	2023	2022	2021
	(in thousands of U.S. dollars, except for share data)		
Balance Sheet Data:			
Cash and cash equivalent	\$ 196,661	\$ 266,937	\$ 278,830
Total current assets	605,278	684,363	540,116
Property and equipment, net	1,119,885	856,085	743,533
Total non-current assets	2,413,960	1,952,267	1,821,141
Total assets	3,019,238	2,636,630	2,361,257
Accounts payable	374,986	353,468	269,215
Short-term debt and current portion of long-term debt	31,336	19,351	4,741
Total current liabilities	841,670	759,412	617,863
Long-term debt, excluding current portion	713,038	711,671	739,217
Total non-current liabilities	1,660,729	1,552,791	1,522,232
Total liabilities	2,502,399	2,312,203	2,140,095
Total common stock	522,822	522,308	521,284
Total equity	516,839	324,427	221,162
Total liabilities and equity	3,019,238	2,636,630	2,361,257
Shares outstanding	210,654,969	210,594,545	210,478,322

	For the Years Ended December 31,		
	2023	2022	2021
	(in thousands of U.S. dollars, except percentages)		
Other Data:			
Total Revenues			
Brazil	\$ 1,701,547	\$ 1,429,105	\$ 1,002,781
NOLAD	1,132,912	920,189	780,866
SLAD	1,497,419	1,269,608	876,294
Total	\$ 4,331,878	\$ 3,618,902	\$ 2,659,941
Operating Income (Loss)			
Brazil	\$ 230,024	\$ 186,862	\$ 117,887
NOLAD	73,237	61,832	48,785
SLAD	121,683	107,520	48,614
Corporate and others and purchase price allocation	(110,905)	(91,792)	(75,767)
Total	\$ 314,039	\$ 264,422	\$ 139,519
Operating Margin(1)			
Brazil	13.5%	13.1%	11.8%
NOLAD	6.5	6.7	6.2
SLAD	8.1	8.5	5.5
Total	7.2%	7.3%	5.2%
Adjusted EBITDA(2)			
Brazil	\$ 300,177	\$ 242,346	\$ 175,603
NOLAD	115,364	95,290	85,323
SLAD	160,380	134,253	77,573
Corporate and others	(103,617)	(85,325)	(66,741)
Total	\$ 472,304	\$ 386,564	\$ 271,758
Adjusted EBITDA Margin(3)			
Brazil	17.6%	17.0%	17.5%
NOLAD	10.2	10.4	10.9
SLAD	10.7	10.6	8.9
Total	10.9%	10.7%	10.2%
Other Financial Data:			
Working capital(4)	(236,392)	(75,049)	(77,747)
Capital expenditures(5)	362,178	221,915	115,077
Cash Dividends declared per common share	\$ 0.19	\$ 0.15	\$ —
Stock Dividends declared per every 70 common shares	—	—	1.00

	As of December 31,		
	2023	2022	2021
Number of systemwide restaurants(6)	2,361	2,312	2,261
Brazil	1,130	1,084	1,051
NOLAD	647	638	625
SLAD	584	590	585
Number of Company-operated restaurants	1,678	1,633	1,579
Brazil	689	656	631
NOLAD	494	473	453
SLAD	495	504	495
Number of franchised restaurants	683	679	682
Brazil	441	428	420
NOLAD	153	165	172
SLAD	89	86	90

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- (1) Operating margin is operating income (loss) divided by total revenues, expressed as a percentage.
 - (2) 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."
 - (3) Adjusted EBITDA margin is Adjusted EBITDA divided by total revenues, expressed as a percentage.
 - (4) Working capital equals current assets minus current liabilities.
 - (5) Includes property and equipment expenditures and purchase of restaurant businesses paid at the acquisition date.
 - (6) Includes both traditional restaurants and satellite non-traditional restaurants. We define non-traditional satellite restaurants as those points of distribution that have one or more of the following characteristics: (i) depend on another of our restaurants, (ii) offer a limited menu of products, (iii) have approximately 30% of the size of our average restaurants (other than McCafé or other satellites), (iv) generate approximately 50% of the gross sales of our average restaurants (other than McCafé or other satellites), or (v) are located inside a Wal-Mart.

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,		
	2023	2022	2021
	(in thousands of U.S. dollars)		
Net income attributable to Arcos Dorados Holdings Inc.	\$ 181,274	\$ 140,343	\$ 45,486
Plus (Less):			
Net interest expense and other financing results	32,275	43,750	49,546
Loss from derivative instruments	13,183	10,490	5,183
Foreign currency exchange results	(10,774)	(16,501)	9,189
Other non-operating expenses (income), net	1,238	287	(2,185)
Income tax expense	95,702	85,476	31,933
Net income attributable to non-controlling interests	1,141	577	367
Operating income	314,039	264,422	139,519
Plus (Less):			
Items excluded from computation that affect operating income:			
Depreciation and amortization	149,268	119,777	120,394
Gains from sale, insurance recovery and contribution in equity method investments of property and equipment	(2,030)	(1,949)	(4,876)
Write-offs of long-lived assets	8,401	3,143	3,094
Impairment of long-lived assets	2,626	1,171	1,573
Reorganization and optimization plan	—	—	12,054
Adjusted EBITDA	472,304	386,564	271,758

Exchange Rates and Exchange Controls

In 2023, 71.7% of our total revenues were derived from our restaurants in Brazil, Argentina, Mexico and Chile. 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 7.4% against the U.S. dollar in 2021, appreciated 5.3% in 2022, appreciated 8.2% in 2023 and depreciated 6.3% in the first quarter of 2024. As of April 25, 2024, the exchange rate for the purchase of U.S. dollars was R\$5.16 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 of Brazil 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 22.1% against the U.S. dollar in 2021, depreciated 72.4% in 2022, depreciated 357.4% in 2023 and depreciated 8.1% in the first quarter of 2024. As of April 25, 2024, the exchange rate for the purchase of U.S. dollars was ARS\$873.8 per U.S. dollar.

Exchange Controls

Since 2019, 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 broadened significantly during 2023. However, in an effort to address the fiscal deficit, the newly elected government implemented a currency adjustment, leading to a 120.6% devaluation of the *Peso* in December 2023, followed by the implementation of a policy of a 2% monthly devaluation of the exchange rate, which has led to a reduction of the spread between the official exchange rate and the other informal exchange rates, which has reached a value of approximately 23.7% above the official exchange rate as of April 25, 2024.

At present, foreign exchange regulations have been (i) extended indefinitely, and (ii) consolidated in a single set of regulations, Communication "A" 7953, 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 proceeds of new financial indebtedness disbursed as of September 1, 2019, must be repatriated, and exchanged into Argentine pesos through the MLC, 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.

Access to the MLC to make such payments more than three days in advance of the due date is, as a general rule, subject to the Central Bank of Argentina's prior authorization. Prepayments made with funds from new foreign loans duly settled or in connection with debt refinancing or liability management processes may be exempt from such prior authorization from Argentina's Central Bank to the extent they comply with several requirements as set forth in Section 3.5 of the Argentine FX Regulations.

Specific Provisions Regarding Access to the MLC

Payment of principal under intercompany foreign financial indebtedness and payment of dividends

Access to the MLC for payments of dividends and of principal or interest under intercompany foreign financial indebtedness is subject to the Central Bank of Argentina's prior approval until December 31, 2024. This provision has been previously extended on several occasions. Certain specific exceptions apply and are included in Section 3.5.6. of the Argentine FX Regulations (unless the loan proceeds were settled through the MLC after October 1, 2020, and the loan has an average life of at least 2 years).

Payment of imports of goods

Pursuant to Argentine FX Regulations, accessing the MLC to make deferred payments for new imports of goods with customs entry registration as from December 13, 2023, does not require Central Bank of Argentina's prior approval, when in addition to the other applicable regulatory requirements, it is verified that the payment complies with the requirements established in Section 10.10.1 of the Argentine FX Regulations.

In addition, Section 3.1 of the Argentine FX Regulations allows access to the MLC for the payment of imports of goods, establishing different conditions depending on whether they are payments of imports of goods with customs entry registration, or payments of imports of goods with pending customs entry registration. It also provides for the reestablishment of the "SEPAIMPO", the import payment tracking system, for the purpose of monitoring import payments, import financing and the demonstration of the entry of goods into the country.

Furthermore, commencing December 13, 2023, access to the MLC shall no longer require a declaration in "SALIDA" status via the Argentina Imports System (*Sistema de Importaciones de la Republica Argentina* or "SIRA"), nor a validation within the "Single Current Account for Foreign Trade" system.

A licensing regime is also in place, which requires importers of non-automatic import licenses to provide information about the product they intend to import (e.g., FOB value, type and quantity, commercial brand, model, country of origin and of shipping).

As a general rule, access to the MLC is authorized in a staggered manner, with current rules authorizing access to the MLC for the payment of up to 25% of the total value of goods imported as of 30, 60, 90 and 120 days, respectively after the nationalization of the goods.

Though there are additional exceptions to the aforementioned access to the MLC for the payment of imports of goods, they do not apply to the operations of our Company.

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 Regime. Access to the MLC for payment of intercompany imports of services is subject to prior approval by the Central Bank of Argentina.

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 or individual 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 calendar days preceding the date of such access in the case of securities issued under Argentine Law and in the 180 calendar days prior in the case of transactions that are not carried out with securities issued under Argentine Law, the local company must not have directly or indirectly or on behalf of a third party:

- (a) sold securities in Argentina, with settlement in foreign currency;
- (b) transferred securities to a foreign depository;
- (c) exchanged securities issued by resident issuers for foreign assets;
- (d) purchased in Argentina securities issued by non-resident issuers with settlement in Argentine pesos;
- (e) acquired Argentine depository certificates representing shares issued by non-resident companies,
- (f) acquired corporate debt securities representing private debt issued in foreign jurisdiction; and
- (g) delivered Argentine pesos or any other local assets (other than foreign currency funds deposited in Argentine banks) to any person, receiving in exchange thereof, whether prior to or after such delivery, and whether directly or indirectly through a related, controlled or controlling entity, foreign assets, crypto assets or securities deposited abroad.

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

- (a) not have any available foreign liquid assets or Argentine depository certificates representing shares issued by non-resident companies for an aggregate amount exceeding 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; and
- (d) during the 90 calendar days following such access to the MLC in the case of securities issued under Argentine Law and during the 180 calendar days in the case of transactions that are not carried out with securities issued under Argentine Law, undertake to not sell securities issued by residents in Argentina for foreign currency, transfer such securities to foreign depositories, exchange such securities for other foreign assets, or purchase foreign securities with *pesos* in Argentina.

Furthermore, in order to access the MLC without obtaining prior approval from the Central Bank of Argentina, the local company has to file several affidavits. In connection with this matter, the affidavit shall meet certain requirements established in Section 3.16.3 of the Argentine FX Regulations.

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* depreciated 3.1% against the U.S. dollar in 2021, appreciated 5.0% in 2022, appreciated 13% in 2023 and depreciated 1.2% in the first quarter of 2024. As of April 25, 2024, the free-market exchange rate for the purchase of U.S. dollars was Ps.17.21 per U.S. dollar.

Exchange Controls

For the last 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.

Chile

Exchange Rates

The Chilean *peso* depreciated 19.9% against the U.S. dollar in 2021, appreciated 0.1% in 2022, depreciated 4.0% in 2023 and depreciated 7.5% in the first quarter of 2024. As of April 25, 2024, the free-market exchange rate for the purchase of U.S. dollars was CLPs. 949.5 per U.S. dollar.

Exchange Controls

For the last few years, the Chilean 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 Chilean government will maintain its current policies with regard to the Chilean *peso* or that the Chilean *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 control of all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may terminate such MFA or acquire our non-public shares or our interests in one or more Territories at 80% of their fair market value.
- Our business activity and results of operations may be negatively affected by unforeseen events, such as disruptions, natural disasters, adverse weather conditions, war, such as the Russia-Ukraine war and the conflict in the Middle East, pandemics, such as the COVID-19 pandemic, or other catastrophic events, such as hurricanes, earthquakes and floods.
- 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.
- Supply chain interruptions may increase our costs and reduce revenues.
- 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.
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- 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, currency devaluation and cross-border money transfer controls and restrictions in certain countries in which we operate, which could affect our ability to move our cash flow and pay dividends out from those countries.

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, fraud, data protection incidents and litigation.
- Our insurance may not be sufficient to cover certain losses.
- Our cash balance may not be covered by government-backed deposit insurance programs in the event of a default or failure of any bank with which we maintain a commercial relationship, which may have a material adverse effect on our business, financial condition results of operations and cash flows

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, habits or other factors.
- Our investments to enhance the customer experience, including through technology, may not generate the expected returns.
- Food safety and food- or beverage-borne illnesses may have an adverse effect on our business and results of operations.
- 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, damage our reputation 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, as well as the increasingly complex political and social environment in Latin America and the Caribbean have in the past and could in the future lead to social protests and riots, which may adversely affect our business, operations, sales, 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 control of all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may terminate such MFA or 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 all of 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 also 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 earlier of: (i) the eighteen-month anniversary of the death or permanent incapacity of Mr. Woods Staton, our Executive Chairman and controlling shareholder, and (ii) the receipt by McDonald's of notice from Mr. Woods Staton's beneficiaries that such beneficiaries have elected to have such twelve-month period commence as of a date specified in such notice, which date shall be after the receipt of such notice.

If there is a material breach of the MFA, McDonald's has the option to acquire all, but not less than all, of our non-public shares. In addition, if there is a material breach that relates to one or more Territories in which, at the time of the material breach determination, there are at least 100 franchised restaurants in operation, McDonald's also has the right, in McDonald's sole discretion, to acquire (i) all of our interests in our subsidiaries in all Territories or (ii) all of our interests in our subsidiaries in the Territory or Territories identified by McDonald's as being affected by such material breach or to which such material breach may be attributable. By contrast, if the initial material breach of the MFAs affects or is attributable to any of the Territories in which, at the time of the material breach determination, there are less than 100 franchised restaurants in operation, McDonald's only has the right to acquire the equity interests of any of our subsidiaries in the Territory or Territories being affected by such material breach or to which such material breach may be attributable. For example, since, as of the date of this annual report, we have more than 100 franchised restaurants in Mexico, if there is a material breach with respect to our business in Mexico identified by McDonald's as being affected by such material breach or to which such material breach may be attributable, McDonald's

would have the right to acquire our entire business throughout Latin America and the Caribbean or just our Mexican operations, whereas upon a similar breach relating to our Ecuadorian business, which, as of the date of this annual report, has less than 100 franchised restaurants in operation, McDonald's would only have the right to acquire our business in Ecuador.

If there is a material breach under an MFA, McDonald's has the right to terminate such MFA, in whole or, in McDonald's sole discretion, with respect to any one or more Territories identified by McDonald's as being affected by such material breach or to which such material breach may be, directly or indirectly attributable. Any such termination would have a material adverse effect on our business, results of operations and financial condition.

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.

Our business activity and results of operations may be negatively affected by unforeseen events, such as disruptions, natural disasters, adverse weather conditions, war, such as the Russia-Ukraine war and the conflict in the Middle East, pandemics, such as the COVID-19 pandemic, or other catastrophic events, such as hurricanes, earthquakes and floods.

Unforeseen events beyond our control, including war, terrorist activities, political and social unrest, natural disasters (or expectations about them), adverse weather conditions and pandemics, such as the COVID-19 pandemic, could disrupt our operations and results of 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. For instance, the Russia-Ukraine war and the conflict in the Middle East and related sanctions have adversely impacted the macroeconomic environment, heightened volatile economic conditions and resulted in heightened inflationary pressures, including heightened food inflation levels, increased costs of commodity prices, including energy prices, and exacerbated supply chain disruptions, which we expect may continue to affect consumer behavior and demand, geopolitical tensions and may continue to impact our business, reputation and financial results. Additionally, adverse weather conditions, including climate change, which has become more pronounced in recent years, may also increase the frequency and severity of weather-related events and natural disasters or affect customer behavior or preferences. Furthermore, incidents of pandemics could reduce sales in our restaurants. Recurrent events in our region related to Dengue, Yellow Fever, Zika and COVID-19 viruses, among others, have resulted in heightened health concerns in the region, which could reduce the visits to our restaurants if these cases are not controlled.

The duration and scope of a health crisis, pandemic, epidemic, natural disaster, adverse weather conditions, war or other catastrophic events can be difficult to predict and depend on many factors, including emergence of new variants, outbreaks of diseases, extreme weather shifts, shorter harvest seasons, availability, acceptance and effectiveness of preventative measures, increased geopolitical tensions and economic sanctions, among other. A health crisis, pandemic, epidemic, natural disaster, adverse weather conditions, war or other catastrophic events may also heighten other risks disclosed in these Risk Factors, including, but not limited to, those related to the availability and costs of labor and commodities, supply chain interruptions, consumer behavior, and consumer perceptions of our brand and industry.

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, from an increase in comparable store sales and, more recently, from the growth of sales through digital channels, which comprised 50%, or \$2.8 billion, of our systemwide sales in 2023. Our total number of restaurant locations has increased from 1,569 at the date of the Acquisition to 2,361 restaurants as of December 31, 2023, which includes (i) 2,360 traditional restaurants and (ii) 1 satellite non-traditional satellite restaurant, unless otherwise indicated in this annual report on Form 20-F.

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 navigate other external pressures, including global pandemics such as the coronavirus (COVID-19) pandemic or local pandemics such as Dengue or Zika. See "—Our business activity and results of operations may be negatively affected by unforeseen events, such as disruptions, natural disasters, adverse weather conditions, war, such as the Russia-Ukraine war and the conflict in the Middle East, pandemics, such as the COVID-19 pandemic, or other catastrophic events, such as hurricanes, earthquakes and floods." In addition, the continued growth of our sales through digital channels is dependent on the continued adoption of technology and digital and delivery channels by our customers, which is in turn dependent on wider consumer trends.

We plan our capital expenditures on a three-year basis and conduct annual reviews, taking into account historical information, regional economic trends, restaurant opening and reimagining 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, 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, sustainability policies and commitments, 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 32 largest suppliers account for approximately 75% of our purchases. Very few of our largest 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, 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 not be able to quickly find alternate or additional supplies in the event a supplier is unable to meet our orders.

Supply chain interruptions may increase our costs and reduce revenues.

We depend on the effectiveness of our supply chain to assure a reliable and sufficient supply of quality products, supplies, equipment and equipment parts for our business. If our suppliers fail to provide us with products, equipment or equipment parts 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 we are forced to terminate our relationship with a supplier because they are not in compliance with McDonald's standards, we may have difficulty finding appropriate or compliant replacement suppliers. As a result, we may face inventory shortages and increased costs that could negatively affect our operations.

Supply chain interruptions, delivery delays and related price increases have in the past and may in the future adversely affect us and our suppliers. Such interruptions, delivery delays and price increases could be caused by shortages, inflationary pressures, unexpected increases in demand, transportation-related issues, labor-related issues, technology-related issues, weather-related issues, natural disasters, pandemics, acts of war, terrorism, social strife and protests or other hostilities or other factors beyond our or our suppliers' control. Interruptions, delivery delays, or ineffective contingency planning of our supply chain system can increase our costs, reduce revenues and/or limit the availability of our products, supplies or equipment that are critical to 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, 2023, 28.9% 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.

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, food safety 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, 2023, we owned the land for 475 of our 2,361 restaurants and the buildings for all but 7 of our stand-alone 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, communications and promotional activities in the majority of our markets. 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, diverse 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, retain and train 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, retain and train qualified restaurant managers and general staff. If we are unable to recruit, retain and train 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 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.

As of December 31, 2023, we had 100,795 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. In recent years, the legal minimum wage has increased in several of the countries in which we operate, including Argentina, Ecuador, Peru and Venezuela. In addition, Puerto Rico implemented new minimum wage regulations in 2021 and has implemented additional increases since then. 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. Despite our anti-discriminatory policies and employee trainings related thereto, we are exposed to potential 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), which could have a negative impact on consumer perceptions of us and a reputation of 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 have not been materially impacted by 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.

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. As of December 31, 2023, we did not have any amounts outstanding under our committed credit lines. Given the nature of these lines of credit, some of these lines 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, 2023, we had \$728.1 million in total outstanding indebtedness (including interest payable), consisting of \$722.3 million in long-term debt (including interest payable) and \$29.5 million in short-term debt net of \$23.7 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 line of credit and revolving credit facility. 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 2026. 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, both Venezuela and Argentina have been considered highly inflationary under U.S. GAAP since 2010 and 2018, respectively, which has significantly reduced competitiveness, real wages and consumption. Although in most of our markets inflationary pressures decreased in 2023 as compared to 2022, inflation has proven more resilient than expected and decreased at a lower rate than anticipated. In an effort to contain inflation, central banks shifted to more restrictive monetary policy, including increased interest rates, which has contributed to a slowdown in the global economy, thereby restricting the availability of credit and impairing economic growth. The measures taken by the governments of these countries to control inflation have historically been indicative of a potential economic recession. 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, 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 2023 and punitive actions from the government have decreased over the last few years, the existence of such laws and regulations and the possibility of future government action could 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, currency devaluation and cross-border money transfer controls and restrictions in certain countries in which we operate, which could affect our ability to move our cash flow and pay dividends out from those countries.

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 2023, our subsidiaries in Argentina represented 15.8% 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 over the past years. Although the spread has decreased since the change of administration in December 2023, the spread has ranged between 19.7%, at its lowest, and 59.5%, at its highest, above the official exchange rate since January 1, 2024. The potential implementation of similar measures in any other countries in which we operate could impact our ability to transfer funds outside of those countries and may prevent or delay payments that our subsidiaries are required to make outside of said countries, which could have a material adverse effect on our results of operations and financial condition.

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 "—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, imports of goods and services, marketing and promotional activities, cross-border money transfers, nutritional labeling, packaging and 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, 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. 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. Although the Venezuelan government has not carried out expropriations in some years, in recent years the risk of expropriation by municipalities of land considered to be excess property (which consists of land owned by the Company on which no restaurants are currently in operation) has increased. We cannot provide assurance that Company-operated or franchised restaurants will not be threatened with expropriation, either at a national or a municipal level, 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 control of all or portions of our business upon the occurrence of certain events and, in the case of a material breach of the MFAs, may terminate such MFA or 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.

In December 2021, the Organization for Economic Co-operation and Development ("OECD") published Tax Challenges Arising from the Digitalization of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS, hereafter referred to as the "OECD Pillar Two model rules" or "the rules". The rules are designed to ensure that large multinational enterprises within the scope of the rules pay a minimum level of tax on the income arising in a specific period in each jurisdiction where they operate. In general, the rules apply a system of top-up taxes that brings the total amount of taxes paid on an entity's excess profit in a jurisdiction up to the minimum rate of 15%.

The Company is in scope of these rules and the rules have been enacted or substantively enacted in jurisdictions in which we operate and will come into effect from 1 January 2024. While the Company does not expect this enactment will have a material impact on the consolidated financial statements, we will continue to evaluate and monitor as additional guidance and clarification becomes available.

In December 2023, Brazil's National Congress approved the final wording of the Tax Reform (Constitutional Reform) that implies changes in taxation on consumption in the country. In a nutshell, this reform creates a dual VAT conformed by IBS and CBS. Dual VAT will replace ICMS, ISS, PIS and COFINS. Both new taxes intend to have a single flat rate, a broad credit base and a full non-cumulative system (probably with some exceptions). Tax Reform also creates a new Selective Tax (IS). The reform has a transition period of 7 years (starting in 2026) during which the current tax system will operate together with the new approved system. During 2024 Brazil's National Congress should draft and discuss several Supplementary Laws in order to regulate the new tax system.

Also in December 2023, the Organic Law on Economic Efficiency and Employment Generation was enacted in Ecuador. This legislative measure was implemented with the aim of boosting employment, enhancing tax collection, and encouraging investment. These reforms will directly impact companies classified as large taxpayers, subjecting them to a withholding percentage of 2.25% on their monthly sales. Additionally, further legislative adjustments are anticipated in Ecuador, including the potential for increases in the Value Added Tax (VAT) and the foreign exchange outflow tax, which applies to the transfer of dollars from Ecuador to another country and is set to increase from 3.5% to 5% starting from April 1, 2024. While these changes may pose initial challenges, they also offer opportunities for greater transparency and efficiency in the country's tax system.

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.

Additionally, in recent years there has been an increase in litigation against public companies in relation to ESG matters, including in relation to claims made by public companies related to climate justice, net-zero targets and ambitions, greenwashing, climate-washing, supply chain commercial relationships, and diversity and sustainability disclosure practices. Given our commitment to social and environmental sustainability matters, we may and McDonald's also may provide expanded disclosure, establish, modify, adjust or expand goals, commitments or targets, and take actions to meet such goals, commitments and targets, which may expose us to class actions or other litigation, including administrative proceedings, with respect to our ESG practices, particularly in light of the heightened focus on ESG matters from investors and other stakeholders. Any potential fines, damages or reputational damages to us or our brands as a result from such litigation could have a material adverse effect on our reputation, business, financial condition, or results of operations.

Information technology system failures or interruptions or breaches of our network security may interrupt our operations, exposing us to increased operating costs, fraud, data protection incidents and 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. See "Part II—Item 16K. Cybersecurity" for further detail. 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, fraud 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 our online digital channels for which we rely more heavily on third-party operators or trusted certified payment gateways to handle an increasing volume of sensitive financial transactions and other sensitive customer information, which increases our cybersecurity risks. 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 and increased use of our digital channels, 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, breaches or disruption in our operations. An actual or alleged security breach of our or their systems has resulted and could result in additional disruptions, shutdowns, theft, fraud 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, misappropriation and fraud from employees, suppliers, such as cash-in-transit service companies, and third-party service providers that has resulted and could result in future losses that may not be fully covered by our insurance. The increased use of technology and digital operations expose us to larger cyber security, data protection and delivery operation risks. The delivery channel could expose us to subsidiary liability for accidents and injuries that riders could suffer or cause to third parties with their vehicles. These risks are not fully covered by insurance, especially when they are related to attacks in our technology and delivery suppliers' systems. Although we have negotiated indemnity provisions with some of our suppliers against cyber security, data protection and delivery operation risks arising from their systems or activities in support of our business, enforcement action and any reimbursement for our losses may be difficult to obtain should these risks materialize.

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.

Our cash balance may not be covered by government-backed deposit insurance programs in the event of a default or failure of any bank with which we maintain a commercial relationship, which may have a material adverse effect on our business, financial condition results of operations and cash flows.

We expect that a limited number of financial institutions will hold all or most of our cash. Depending on our cash balance in any of our accounts at any given point in time, our balances may not be covered by government-backed deposit insurance programs in the event of default or failure of any bank with which we maintain a commercial relationship. For example, while the U.S. Federal Deposit Insurance Corporation provides deposit insurance of \$250,000 per depositor, per insured bank, the amounts we have in deposits in U.S. banks far exceed the insured amount. Therefore, if the U.S. government does not impose measures to protect depositors in the event a bank in which our funds are held fails, we may lose all or a substantial portion of our deposits with such bank. The occurrence of any default or failure of any of the banks in which we have deposits could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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, Firehouse Subs and Tim Hortons), Yum! Brands (which franchises KFC restaurants, Taco Bell, Pizza Hut and Pizza Hut Express, and the Habit Burger Grill 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. Alesa is one of the largest restaurant operators in Latin America (Mexico, Argentina, Colombia, Chile, and Uruguay); it has a diversified portfolio, with brands such as Domino's Pizza, Starbucks, Burger King, Chili's and other casual dining brands. In Argentina, we also compete with Mostaza, an Argentine 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 35.2% of our total sales by Company-operated restaurants in 2023, and 21.8% of our food and paper raw materials cost is exposed to fluctuations in foreign exchange rates. We source, among other commodities, beef, chicken, pork, 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, global macroeconomic conditions, acts of war and other hostilities, weather conditions, fluctuations in energy costs, tax incentives and our suppliers' ability to comply with sustainability and animal welfare commitments, all of which makes us susceptible to substantial price and currency fluctuations and other increased operating costs. For instance, commodity prices have been adversely affected by the Russia-Ukraine war, which has had an impact on our 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 and vegetarian products, consumer behavior and preferences, such as the increased use of digital and delivery channels and focus on environmental, social and governance matters, 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 or our food safety 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 in each country in which we operate, allocate sufficient resources and efforts to effectively reach and appeal to our consumers, market and advertise our products and platforms, 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, including the release of our own mobile application for "couponing", delivery and order taking, and using data in order to improve our decision-making. We accelerated our digital transformation plans to better serve our customers. In order to accomplish this goal, we made structural changes in our IT and data systems, 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.

Food safety and food- or beverage- borne illnesses may have an adverse effect on our business and results of operations.

Food- or beverage-borne illnesses, such as those caused by e. coli, listeria, salmonella, cyclospora and trichinosis, and food safety issues, such as contamination or tampering, are risks that could affect our industry and could impact 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.

Additionally, 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 pandemics 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 ham our operations. While we maintain extremely high standards for the quality and safety 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.

Furthermore, 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 N° 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 N° 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. While we currently comply with COFEPRIS' required contents, we did not receive any authorization to advertise Happy Meal out of restricted hours.

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. On March 21, 2024, the Reporting Justice rejected the Prosecutor's Office's appeal. The Prosecutor's Office may file an internal appeal against the decision. As of the date of this annual report, the outcome of the case 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.

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, damage our reputation 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 (known as ANPD), which published a regulation for the application of administrative sanctions in February 2023. Arcos Dourados Comércio de Alimentos S.A. (our Brazilian subsidiary) has designated a Data Protection Officer (*Encarregado de Proteção de Dados*) since September 2020, as required by the LGPD. The LGPD is very similar to the European Union General Data Protection Regulation ("GDPR"), which we are subject to in the French territories where we operate in Latin America and the Caribbean.

Similarly, Argentina, Uruguay, Peru, Ecuador, Colombia, Mexico and Chile have established data protection laws that largely follow the same framework. In Argentina, Law No. 25,326 enacted in 2000 (the "Data Protection Law") is also very similar to the GDPR and requires companies that process personal data to register with the Agency of Access to Public Information ("AAPI"), prescribes the instances in which data may be processed based on the law and 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. On June 30, 2023, the Executive Branch sent the Personal Data Protection bill to update the Data Protection Law to Congress. This bill follows the technological and legal developments of the GDPR. 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, 2023, 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, customers 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 Mexico, the National Institute for Transparency, Access to Information and Personal Data Protection (*Instituto Nacional de Acceso a la Información* or "INAI") can impose different sanctions for violating the Personal Data Protection Law ("PDPL"). The kind and level of penalty imposed by INAI depends on various factors, such as the nature and severity of the violation, the type or category of personal data involved in such violation or the entity's ability to pay, and whether the violation was intentional or unintentional. For instance, the Mexican Data Protection Authority may impose sanctions on us for a data breach suffered by one of our main technology providers that led to the exposure of personal data of some of our customers. PDPL provides a higher level of protection for sensitive data, imposing a greater obligation to ensure that the principles of the law are followed when dealing with this type of information. Failure to protect sensitive data could result in severe legal and financial consequences.

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. Additionally, as we launch loyalty programs which aim to leverage guest data to increase engagement, frequency and lifetime value through a more personalized and rewarding experience for our customers, such as the "Meu Méqui" program in Brazil, we may be exposed to heightened regulatory risk in relation to the personal data of our customers in relation to these laws. 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. In 2023, we have created a Data Protection Area and appointed a Data Protection Officer to improve our data protection risk strategy.

Environmental laws and regulations may affect our business.

We are subject to various environmental laws and regulations in the countries in which we operate. 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 which resulted in the enactment or discussion of new laws and regulations in most of the countries in which we operate, especially in relation to the use of plastic bags, plastic straws and plastics, which in many cases carry severe penalties for violations.

For instance, 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, to the extent that they are not reusable. The law prohibits the provision of any single-use containers to customers dining in and only allows the provision of disposable products made of recyclable materials, other than plastic, for customers ordering takeout. The law prohibits all plastic straws, stirrers, cutlery and chopsticks and will become effective on August 13, 2024. However, a bill is currently under consideration by certain commissions of the Chilean Senate which would amend the prohibition to provide single-use containers for in-restaurant consumption. Such bill proposes permitting provision of single-use containers to the extent that establishments facilitate recovery or composting and the containers are made from materials other than plastic or are certified as sustainable plastic.

Similarly, 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. Similar legislation was enacted in Puerto Rico in 2022 and the regulation required by such legislation is currently under review. This law prohibits single-use plastics in restaurants. We are working to comply with the law and related regulation if it finally becomes effective on June 1, 2024.

A similar law banning single use products was promulgated in February, 2020 in France. The law has a phased approach to reduce the use of disposable materials, including plastic. As of January 1, 2023, disposable dishes are prohibited in food establishments serving more than 20 diners simultaneously, for everything consumed on site. The deployment has already started with restaurants in Martinique and French Guiana.

In addition, there are other similar regulations banning single-use plastic products in Mexico City, Mexico and São Paulo, Brazil. In Uruguay the Ministry of Environment is currently requiring a substantial improvement of the packaging waste recovery and recycling rates from importers and manufacturers of packaged products. To comply with these heightened standards, a new packaging waste management plan has been prepared by the private sector, which will entail significant increases in the contributions paid by companies which participate in the plan, including us. In Argentina, a bill on minimal standards for the production, commercialization and sustainable use of single-use plastic is being discussed by Congress and additional provincial and/or municipal initiatives could arise.

We have addressed this issue in our business by removing the plastic straws in nearly all of our markets. Additionally, we removed plastic lids from products used in our business and changed our salad containers to cardboard containers in most of the countries in which we operate, which has led to a significant reduction in single-use plastic in our operation within the last three years. Notwithstanding the above, the enactment of additional laws and regulations to limit or eliminate the use of plastic products may require us to quickly replace certain plastic products which we continue to use, which 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 and evolving requirements, including from governmental and nongovernmental authorities, and our commitment to social and environmental sustainability matters, we may and McDonald's may provide expanded disclosure, establish, modify, adjust or expand goals, commitments or targets, and take actions to meet such goals, commitments and targets. The goals, commitments or targets we set for ourselves regarding ESG, public policy or other matters, may be difficult or expensive to implement 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. Additionally, from time to time, McDonald's Corporation may communicate certain global goals for implementation that could be difficult to adhere to and might represent additional costs to us and to our third-party suppliers. Addressing ESG matters requires systemwide coordination and alignment, including with our third-party suppliers who are responsible for 93% of our greenhouse gas emissions, and the standards by which certain ESG matters are measured and reported are evolving, may not be cost effective and are subject to assumptions and uncertainties that could change over time, many of which are outside of our control. 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, or our disclosure is not perceived to be adequate, accurate or complete, it may impact perceptions of our brand or expose us to market, operational, reputational and execution costs and could expose us to financial risks as a result of failure to meet the targets we set out for ourselves, including in connection with our 2029 sustainability-linked bonds.

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, food safety 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 this has been part of our growth strategy to strengthen guest relationships and integrate our mobile ordering channels. 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 2023, 71.7% of our revenues were derived from Brazil, Argentina, Mexico and Chile. 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;
- climate disasters such as earthquakes, hurricanes and floods.
- 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, as well as the increasingly complex political and social environment in Latin America and the Caribbean have in the past and could in the future lead to social protests and riots, which may adversely affect our business, operations, sales, results, financial conditions and prospects.

Arcos Dorados' growth and profitability depend on political stability and economic activity, whether real or perceived, 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 lasted nearly one month and impacted sales and the operation of our restaurants. In 2022, Peru experienced an intense wave of protests that began in December 2022 due to the country's political situation, which have had serious repercussions on the Peruvian economy, including road closures that hindered employees' access to their workplaces and caused major supply shortages.

During 2023 and the ongoing period of 2024, Ecuador has experienced internal disturbances associated with narcotrafficking-related crime, leading to the implementation of states of emergency and curfews during certain periods. These measures, which include the mobilization of the armed forces, have had a significant impact across various sectors, including the QSR industry, with numerous restaurants experiencing operational and financial difficulties due to decreased sales resulting from these restrictions. These measures have received strong international backing, with over 38 countries providing security assistance, including a significant agreement with the United States and an important trade deal with China.

Any continuation of or increase in social unrest in the future could lead to additional operational costs, a decline in sales or otherwise negatively impact our results.

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. 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 37.98% and 75.38%, 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 130,654,969 class A shares were outstanding as of December 31, 2023 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 BVI business company limited by shares incorporated in the British Virgin Islands 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 Río Negro 1338, First Floor, Montevideo, Uruguay (CP 11100). 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 Cooperatieve 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 Cooperatieve 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."

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 reimagining 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.

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, which resulted in an effective royalty rate of 5.6% of sales in 2022 and 6.0% of sales in 2023 and is expected to result in an effective royalty rate of about 6.0% of sales in 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—Our business activity and results of operations may be negatively affected by unforeseen events, such as disruptions, natural disasters, adverse weather conditions, war, such as the Russia-Ukraine war and the conflict in the Middle East, pandemics, such as the COVID-19 pandemic, or other catastrophic events, such as hurricanes, earthquakes and floods."

As a result of our previous restaurant opening plan and reinvestment plan, property and equipment expenditures were \$360.1 million, \$217.1 million and \$115.0 million in 2023, 2022 and 2021 respectively. In 2023, we opened 81 restaurants, reimaged 241 existing restaurants, and opened 117 Dessert Centers. In 2022, we opened 66 restaurants, reimaged 114 existing restaurants, and opened 107 Dessert Centers. In 2021, we opened 46 restaurants, reimaged 34 existing restaurants, and opened 27 McCafé and 131 Dessert Centers.

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 4.3% of McDonald's global sales in 2023. 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, 2023, we operated or franchised 2,361 McDonald's-branded restaurants, which represented 6% of McDonald's total franchised restaurants worldwide. In 2023 and 2022, we accrued \$249.3 million and \$194.5 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, 2023, of our 2,361 McDonald's-branded restaurants in the Territories, 1,678 (or 71.1%) were Company-operated restaurants and 683 (or 28.9%) 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 475 of our 2,361 restaurants and the buildings for all but 7 of our restaurants.

Our operations are comprised of three geographic divisions, as follows: (i) Brazil; (ii) NOLAD, which 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 consists of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao.

As of December 31, 2023, 47.9% of our restaurants were located in Brazil, 27.4% in NOLAD and 24.7% 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,		
	2023	2022	2021
	(in thousands of U.S. dollars)		
Total Revenues			
Brazil	\$ 1,701,547	\$ 1,429,105	\$ 1,002,781
NOLAD	1,132,912	920,189	780,866
SLAD	1,497,419	1,269,608	876,294
Total	4,331,878	3,618,902	2,659,941

Our Operations

Company-Operated and Franchised Restaurants

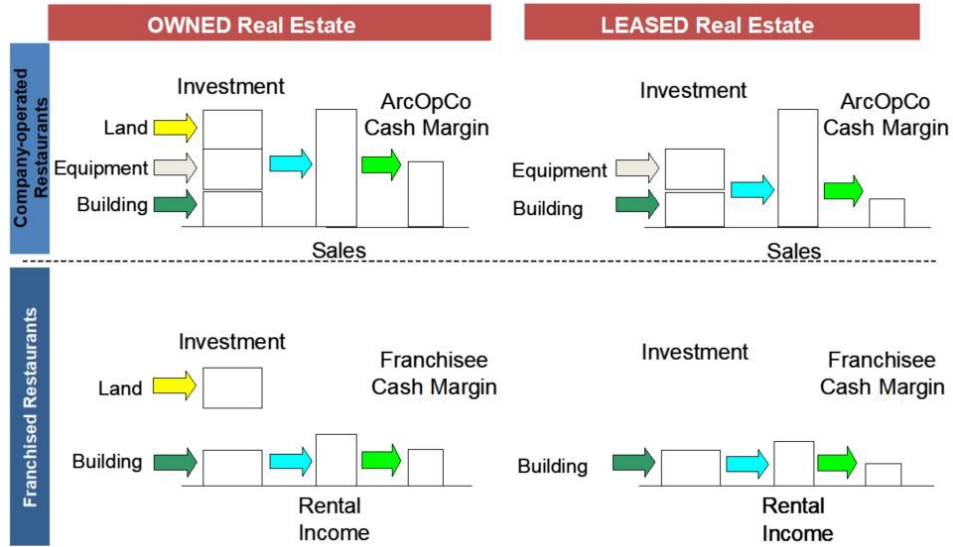
We operate our McDonald's-branded restaurants under two basic structures: (i) Company-operated restaurants operated by us and (ii) franchised restaurants operated by sub-franchisees. Under both operating alternatives, the real estate location may either be owned or leased by us.

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 16 restaurants in Argentina and Chile. We consider these restaurants to be Company-operated restaurants. We have also granted developmental licenses to 7 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 and owns 41 restaurants. 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 in most joint ventures the Company exercises control or 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, 2023, 1,223 (or 51.8%) of our restaurants (not including non-traditional satellite stores) were freestanding, 578 (or 24.4%) were food courts, 266 (or 11.3%) were in-stores and 294 (or 12.5%) 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



INSTORE



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.

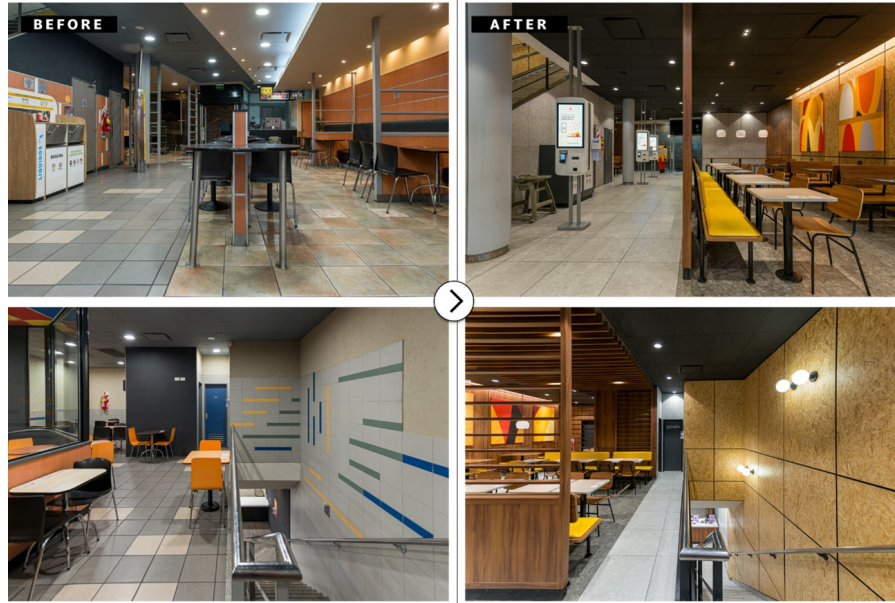
Reimaging

An important component of our development plan is the reimaging of existing restaurants. As of December 31, 2023, we completed 241 new reimaging projects of our restaurants as compared to December 31, 2022. 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.

Additionally, we participate in the restaurant operations improvement process designed by McDonald's, under which Company-operated and franchised restaurants are visited at least ten times in any 12-month cycle to identify system opportunities to continuously improve our operations and guest experience. Visits are conducted by our operation consultants, who assess restaurants based on food quality, food safety, service and cleanliness, among others.

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 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 6.0% of the total transactions and 3.6% of total sales of the restaurants in which they were located in 2023. As of December 31, 2023, there were 308 McCafé locations in the Territories, of which 18.8% were operated by sub-franchisees. Argentina and Brazil, with 86 and 97 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

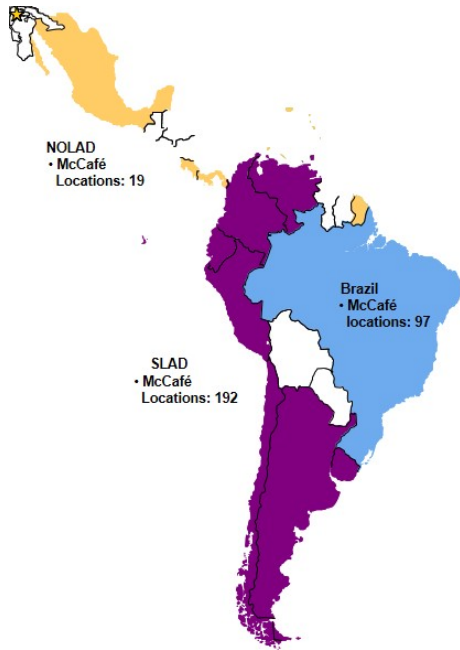
In addition to McCafé locations, Dessert Centers have been a very successful brand extension. Dessert Centers operate both as part of our existing restaurant locations and separately, as standalone locations. For those Dessert Center locations that operate separately from our restaurant locations, they 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 28.8% of our transactions and 10.2% of our total sales of the restaurants in which they were located in 2023. As of December 31, 2023, there were 3,229 Dessert Centers in the Territories. Dessert Centers are highly successful in Brazil, where we have 2,002 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, 2023:

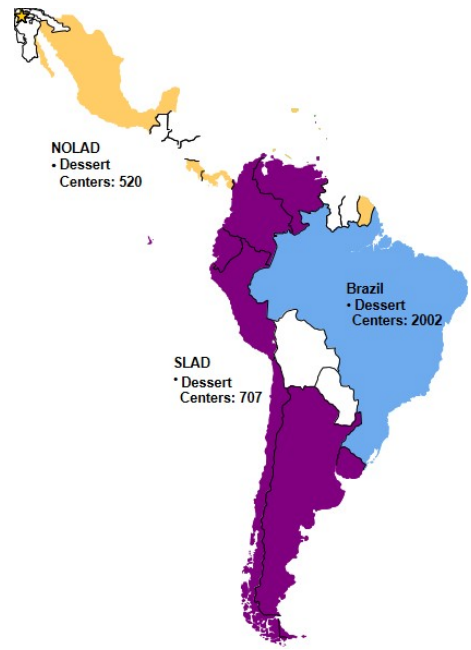
Network of McCafé Locations

308 total McCafé locations



Network of Dessert Centers

3,229 total Dessert Centers



Source: Arcos Dorados

The McDonald's Brand

Kantar BrandZ, a brand consulting firm, ranked McDonald's fifth among the top twenty global brands in 2023. 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 guests 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* and *Elige tu fav* in Mexico, *Appetitosos* in Colombia and *McMenu* in Panama, (ii) core menu options made with beef and chicken, such as the Big Mac, Quarter Pounder, McNuggets, McChicken, McCrispy Chicken and Happy Meal, and (iii) premium options, such as the *Signature Collection* in Colombia, Chile and Uruguay and the *Grands Platform* in Argentina, Mexico and Peru, and salads for those guests 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, except for Venezuela, 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 as it includes most of our product offerings and well-recognized food choices that have global customer acceptance. Products from our core menu are what customers repeatedly order at McDonald's-branded restaurants worldwide. We expanded our core products with new options such as the Spicy McNuggets, Big Mac Bacon and Quarter Pounder Western BBQ in many countries, which are being offered for a limited time only. Committing to our core menu, in beef products we are expanding the Best Burger program to new markets (in 2023 we included 6 markets) and have experienced positive results in sales, quality and taste, and we are maximizing products from our core menu.

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.

We work closely with McDonald's to develop new product offerings and McDonald's considers our recommendations regarding regional tastes and preferences, working 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 McCrispy Chicken sandwich platform from the U.S. and successfully launched it in Puerto Rico and Mexico. In 2022, we introduced the McCrispy Chicken sandwich platform to additional markets: Panama, Costa Rica, Ecuador, Colombia, Chile, Trinidad, Brazil, Argentina and Uruguay. This McCrispy Chicken platform consists of three to four different chicken sandwiches made with a special bread and 100% chicken breast, among the chicken sandwich options is a "hero" sandwich, the McCrispy Deluxe, which is a large-mainstream sandwich that can flex to the top tier by adding toppings and sauces.

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 guests with additional menu options. Our chicken-based offerings include bone-in chicken in markets such as Colombia, Peru, Panama and Costa Rica. We also carefully monitor the sales of our menu items and are able to quickly modify them if necessary.

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 work closely with the McDonald's Global Pricing team to develop in our markets the "*Pricing Done Well*" methodology, that enables a set of tools to leverage our pricing decisions based on customer data. This program has been implemented in Brazil, Mexico, Chile, Colombia and Puerto Rico, where we are constantly running research to understand and support the best value proposal and pricing ladder for our customers.

We also examine trends in the pricing of raw materials, packaging, product-related operating costs as well as individual items 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.

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, digital 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 2023, we continued focusing our efforts to promote our mobile app and new digital channels such as "*Pide y Retira*" ("order and pick up"). 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 and the "*McCombo Pro*", a special EVM linked with gaming to target older kids in order to guarantee a brand journey from Happy Meal to McDonald's core menu. 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 on 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 120 million downloads and 4.8 star ratings. Additionally, we are developing new digital solutions to respond to customer trends such as mobile order and pick up.

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. Our lifecycle management efforts, combined with the launch of our loyalty programs in Brazil "*Meu Méqui*" and in Uruguay "*MiMcDonald's*", are producing double-digit increases in our digital customer's purchase frequency. We will continue launching our loyalty program throughout the markets in which we operate.

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.

Digital, Delivery and Drive-Thru Strategy

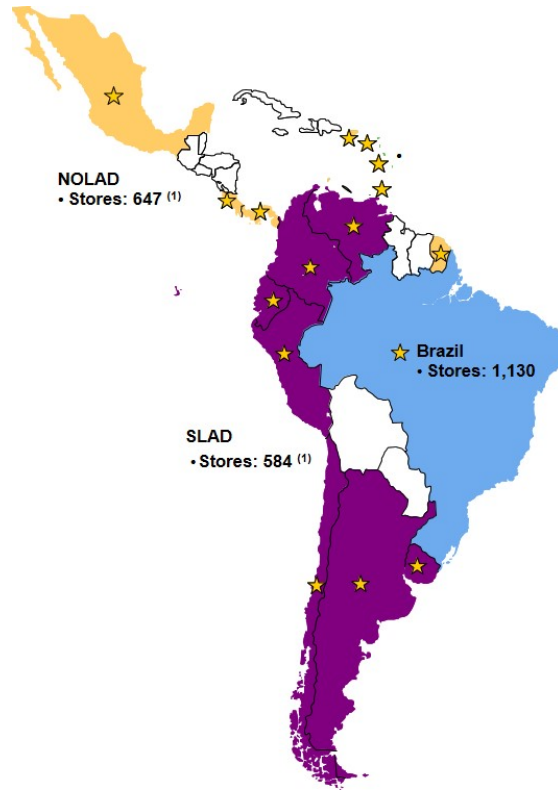
We are focused on leveraging our competitive strengths by building a digital strategy we believe will help continue the growth of our digital, delivery and drive-thru channels. Our industry-leading digital platform offers guests greater choices for how to enjoy our brand experience, while the connection with families remains at the core of its appeal. As a result, during 2023, we saw strong growth in on-premise sales, while also generating strong off-premise sales growth. In 2023, our digital channels (the mobile app, delivery, self-order kiosks and order ahead) comprised 50% of our systemwide sales, representing \$2.8 billion in digital sales. We leveraged our structural competitive advantages, including the largest free-standing restaurant portfolio in the Latin American and Caribbean QSR industry and our industry-leading digital platform to generate robust digital sales growth. Towards the end of October 2023, we officially launched the nationwide Loyalty Program "*Meu Méqui*" in Brazil and in April 2024, we launched the program "*MiMcDonald's*" in Uruguay. The program allows the Company to boost the power of its Mobile App, leveraging guest data to increase engagement, frequency and lifetime value through a more personalized and rewarding experience. Beef and chicken campaigns reinforced our sales expansion, while McDonald's exclusive global sponsorship of the FIFA World Cup allowed us to run campaigns in all markets, which boosted guest usage of our digital and delivery platforms. Our mobile app is currently available in 18 markets and over 2,300 restaurants, reaching more than 115 million cumulative downloads by the end of 2023. The mobile app had more than 19 million average monthly active users and, in December 2023, identifiable sales represented almost 21% of the Company's total sales. In addition, Arcos Dorados' CRM (Customer Relationship Management) platform, had more than 79.5 million unique registered users by the end of December 2023, and continued to grow in early 2024. The platform provides convenient solutions, combined with insights from the Company's data analytics capabilities, driving a more personalized experience with a higher guest lifetime value.

We continued to generate significant growth in our delivery sales channel in 2023, which have more than tripled since 2019. Trends in drive-thru, also reflected the structural competitive advantage of our free-standing restaurant portfolio. Sales in this channel were up around 64% between 2019 and 2023. Guest experience is the main driver of frequency and sales growth, so we made operational improvements over the last several years to speed up total experience times and reduce inaccuracy that strengthened customer satisfaction. As a result, we have the highest drive-thru market share among all restaurants in the markets in which we operate.

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, 2023:



(1) Non-traditional satellite restaurants are included.

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 a new modernized training system 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, 2023.

Portfolio by Division	Ownership			Store Type ⁽¹⁾						Real Property ⁽²⁾	
	Company-Operated	Franchised	Total	Freestanding	Food Court	In-Store	Mall Store	Dessert Centers	McCafé Locations	Owned	Leased
Brazil	689	441	1,130	579	346	91	114	2,002	97	109	1021
NOLAD	494	153	647	404	136	50	57	520	19	205	435
SLAD	495	89	584	240	96	125	123	707	192	161	423
Total	1,678	683	2,361	1,223	578	266	294	3,229	308	475	1,879

(1) Non-traditional satellite restaurants are 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 1,130 restaurants as of December 31, 2023 and \$1,701.5 million in revenues in 2023, representing 47.9% and 39.3% 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 647 restaurants as of December 31, 2023 and \$1,132.9 million in revenues in 2023, representing 27.4% and 26.2% 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. As of December 31, 2023, Mexico represented 57.2% of NOLAD's restaurants and 34.8% of NOLAD's revenues in 2023, and Mexico is our second-largest market in terms of restaurants.

SLAD

SLAD includes ten countries with 584 restaurants as of December 31, 2023 and \$1,497.4 million in revenues in 2023, representing 24.7% and 34.6% 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, 2023, Argentina represented 38.2% of SLAD's restaurants and 45.6% of SLAD's revenues in 2023. 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 recognized by the Global Food Safety Initiative (GFSI), such as British Retail Consortium (BRC) standards 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 strict requirements such as:

- Food safety and quality policies, including a food safety system based on 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 to help prevent contamination and food-borne illnesses

- Crisis management
- Contingency plans
- Facility security and food defense, including efforts to ensure defense against acts of intentional food adulteration or tampering
- Good manufacturing practices
- Material handling, storage and transport
- Testing
- Traceability
- Food fraud prevention, including efforts to ensure prevention of fraudulent and intentional substitution, dilution, addition or misrepresentation of food, food ingredients or food packaging or labeling made for economic gain that could adversely impact consumer health
- Product quality, including product and raw material specification, sensory attributes, process validation and capability
- Verification and continuous improvement, including management of customer complaints

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 in almost all our markets is 100% free of trans fatty acids; the dairy mix for our sundaes and the McFlurry is produced from best quality ingredients and undergoes heat treatment processes to provide best-in-class quality and safest products; our leaf vegetables are harvested in fields with good agricultural practices and are washed and sanitized to improve food safety standards, 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, pork, buns, potatoes, produce, sauces, cheese and dairy mixes, from approved suppliers and distribution centers who meet 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 we may use, as long as they meet the requirements for approval. 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 32 largest suppliers account for approximately 75% of our supplies, and no single supplier or group of related suppliers account for more than 13% of our total food and paper costs. Among our main suppliers are Marfrig Global Foods SA; McCain Foods Group Inc; Coca Cola Company; Bimbo S.A. de C.V; Axionlog B.V; Reyes Holdings L.L.C.; HAVI Group L.P; Savencia Fromage & Dairy; BRF S.A.; Tyson Foods; Schreiber Foods Inc.; American Beef S.A.; J.R. Simplot Company; Frima S.A; Kerry Group plc; Golden State Foods; F C & Natural Salads Distribuidora de Produtos Hortifrutigranjeiros Ltda; Bunge Limited; Lactalis Group; Griffith Foods Worldwide Inc; Panifresh S.A; BO Packaging S.A; Lacteos de Poblet S.A; Brasilgrafica S.A; IBD Foods, LLC; Terbium Industrial S.A; Frigorifico Guarani SACI; Interbake Chile S.A; Granja Tres Arroyos S.A; Impresora Delta S.A; Cellier Alimentos do Brasil Ltda.; and Fortunato Mangravita S.A.

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, 2023, approximately 21.8% 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, 39.2% of the products consumed in Mexico are exposed to fluctuations in foreign exchange rates, while 15.8% and 56.2% 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 2023 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. In late 2022, Axionlog services were also added to Saint Thomas and Saint Croix. 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, condiments, or Coca Cola Beverages, which follow standards specified by their brands and approved by McDonald's).

We work with our suppliers to implement and maintain strict food safety and quality standards through embedded supplier policies and procedures. These procedures are reinforced through continuous training for our suppliers, farmers, slaughterhouses, distribution centers and restaurants. To verify their compliance with our strict food safety and quality standards, we conduct annual independent, third-party food safety audits. Where improvement areas are identified with a supplier, we require corrective action plans that are based on root cause analysis.

In addition, in 2023 we launched the Arcos Dorados Supplier Manual which details all the requirements that our suppliers must meet to be part of our system. This document sets out all of McDonald's and Arcos Dorados requirements with the latest versions of documents, policies and audit checklists. The supplier is requested to acknowledge receipt of the Supplier Manual. This document is available in Spanish, English, Portuguese and French.

We have audits in place to verify that leaf vegetable growers follow good agricultural practices (food safety standards) and preventive measures, so as to guard against potential sources of contamination and cross-contamination from seed to serving. All raw materials suppliers of beef, chicken, pork and eggs need to comply strict food safety standards and undergo Animal Health and Welfare, bovine spongiform encephalopathy disease (beef suppliers), Good Manufacturing Practices ("GMP"), traceability, HACCP and social workplace accountability audits.

McDonald's animal health and welfare standards are defined for each species and verified through recurring independent audits of approved slaughterhouses. Where these audits find non-compliance, we work with the supplier to enhance their practices and implement robust and sustainable corrective action plans.

At the processing stage, we implement a supplier quality management system (SQMS), as described above, that encourages continuous improvement in each supplier. The supplier quality management system is measured, scored and audited on a regular basis to guarantee continuity and improvement. These audits are conducted by third party audit firms approved by McDonald's.

Suppliers must also establish measures to prevent intentional or unintentional harm to people, products and processes, as well as associated losses. We expect our suppliers 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.

Since 2017, we complemented our audit process with the implementation of unannounced GMP Good Manufacturing Practices audits at the facilities of high-risk suppliers (categorized as Category 1 suppliers) and Core suppliers. We also measure compliance through internal visits of the quality staff to the facilities. To support the suppliers, we provide seminars, online and in-person training and regularly updated materials on topics such as standards calibration, product sensory evaluation and best practices.

The Social Workplace Accountability (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 the Global Food Safety Initiative ("GFSI"), we encourage our suppliers to adopt any scheme under the umbrella of GFSI that are recognized globally.

To monitor product quality performance in core products we have a Sensory program defined by McDonald's where we evaluate the sensory attributes of our core products (appearance, texture and flavor).

At the distribution stage, we deployed the McDonald's Distribution Quality Management Program (DQMP), which includes, among others, management commitments, personal hygiene practices, material handling, a shelf-life management system, crisis management, facility security, food safety systems, foreign material control, cold chain management, record keeping, continuous improvement, customer service, a sophisticated stock recovery and traceability program, a quality inspection program upon receiving and unloading food items, contingency planning and regulatory compliance.

Additionally, beginning in 2017 we introduced a restaurant food safety audit program, which is an annual unannounced audit of our restaurants run by a third-party audit firm approved by McDonald's.

All our suppliers perform the audits at the frequencies determined by each program. It should be noted that although Venezuela is an exceptional market, it also carries out audits with local auditing firms and on behalf of Arcos Dorados.

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 Guests

We aim to provide our guests 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 571 million people in 2024—equivalent to the combined population of the United States, Germany, France and the United Kingdom—of which approximately 21.3% are under 14 years old and 36.6% 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. McDonald's digital strategies 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 guests.

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.

Price Controls

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 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 in the future affect, our results of operations." Although we managed to navigate the negative impact of the price controls on our operations from 2013 through 2023, 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.

In Argentina, the current administration, which took office in December 2023, has abrogated Law No. 26,991, known as the "Regulation on Production and Consumption Relationships Act," and Law No. 26,992, titled the "Creation of the Observatory of Prices and Availability of Inputs, Goods and Services Act", by means of Decree No. 70/2023, issued on December 21, 2023. Decree No. 70/2023, which remains subject to congressional and judicial review, also abrogated and amended several existing regulations with the purpose of deregulating the Argentine economy.

Labor Regulation

We are also subject to labor laws applicable in the countries in which we operate. During 2022, Venezuela implemented one minimum wage increase in the minimum wage. No additional increase of minimum wage has been implemented but the government in Venezuela has increased other social benefits without direct impact on labor cost.

In Peru, Law No. 31600 extended the coverage of family allowances payable by employers to workers in private activity. The allowance, which is equivalent to 10% of the legal minimum wage, was previously payable to employees with children under the age of 18 or whose children are over the age of 18 but are pursuing higher education (up to the age of 24) and has now been extended to cover children over the age of 18 with severe disabilities, as certified by the applicable authorities. Additionally, Law No. 28553 approved the rules relating to the General Law for the Protection of People with Diabetes (Law No. 28553), which provides new obligations with respect to health promotion in the workplace. Additionally, Law No. 31828 was enacted, which seeks to encourage employment of persons between the age of 18 and 29, by providing benefits for private employers as of January 1st, 2024.

In Argentina, Decree No. 70/2023, which became effective on December 29, 2023, abrogated a series of labor laws and regulations, with the aim of providing flexibility and reducing costs for employers. However, several labor unions have requested judicial relief and the labor justice ordered the precautionary suspension of the labor provisions thereof, pending a ruling with respect to the constitutionality of Decree No. 70/2023. While certain lower courts have ruled Decree No. 70/2023 to be unconstitutional, litigation continues and the issue will likely be decided by the Supreme Court, which will determine the enforceability of Decree No. 70/2023. The validity of Decree No. 70/2023 is subject to a vote of the Argentine Congress.

Consumer Regulation

We are also subject to increasing consumer regulation. For instance, in Peru, draft bill No. 3657/2022-CR was introduced to the Peruvian congress in November 2022, which provides that monies derived from sanctions imposed by the regulatory authority for consumer rights violations in Peru will be partially assigned to consumers who filed the respective claims. Enactment of this regulation may result in a significant increase in the number of consumer claims filed with the regulatory authority and could impact our costs and financial condition. It should be noted that this draft bill is still under evaluation by the Peruvian Congress.

On January 16, 2024, Bill No. 6815/2023-CR was presented, which proposes that companies must guarantee the health, safety and physical integrity of consumers in and around their business establishment. Likewise, they must guarantee access to them, through a safe wait for consumers, in order to avoid affecting their health and the theft or deterioration of their belongings. This draft bill is also being evaluated by the Peruvian Congress.

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-use plastic is banned. In Chile and in Mexico City, single-use plastic is 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 2023, across the entire company, to reinforce our position as a socially responsible company.

Our social initiatives and charitable activities are embedded into our Recipe for the Future platform, 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 and 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.

Every McDonald's restaurant opened in 2023 complies with a set of sustainable initiatives related to recycling, climate change, sustainable sourcing as well as social programs and focus on diversity and inclusion under the Recipe for the Future platform.

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 training and employment opportunities to young people in Latin America that help them develop valuable customer service, soft skills 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.

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, and we play a significant role in helping to address this issue.

In conjunction with our Latin American branch of Hamburger University, we created the training platform M-Campus 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. M-Campus Comunidad offers 26 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, 2023, over 120,000 young people had enrolled in the platform and approximately 64% of the people who enrolled in the courses were unemployed.

We have also continued to strengthen our partnerships with other organizations that focus on soft skills training, such as Aldeas SOS, Instituto Ayrton Senna (Brazil), Fundación Sí (Argentina), Liceo Impulso (Uruguay), Mi Sangre (Colombia), and Junior Achievement, among others. In 2023, we donated over \$9.4 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 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 700 students were able to continue with their studies.

Instituto Ayrton Senna in Brazil is a renowned non-governmental organization ("NGO") working to improve education at all levels. Our strong partnership allowed Arcos Dorados to reach more than 1,200 young students in partnership with Centro Paula Souza. We also developed a soft skills program called "Meu Jeito" in partnership with Instituto Ayrton Senna, the first stage of which we have implemented in its first stage with our own crews in Brasil and which we plan to open to the community in every country in which we operate in 2024. In 2023, more than 19,000 members of our crew in Brazil participated in this program.

Community

In 2023, 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 \$9.4 million in 2023.

Besides the Ronald McDonald Houses, in 2023, we collaborated with more than 20 NGOs, including Aldeas Infantiles SOS in Peru, Mexico, and Costa Rica, Voces Vitales in Panamá, Mi Sangre in Colombia, Ayrton Senna Institute in Brazil, Fundación Sí in Argentina, Fundación Coanil in Chile, Fundación El Triangulo in Ecuador, Liceo Impulso in Uruguay, Centro Man Na Obra in Aruba and Fonditut in Curaçao.

We also 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.

To continue supporting our community, we developed a program called "Espacio Azul" (or "Blue Space") in 10 countries and more than 2,000 restaurants with the objective of giving customers with autism spectrum disorder and their families, the opportunity to enjoy the McDonald's experience. The "Blue Space" program, in collaboration with third-party experts, creates specific, inclusive areas in our restaurants to offer comfortable spaces for those with autism spectrum disorder. Among the updates we have made to our designated areas for the Blue Space program are: reducing the intensity of our lights, lowering the music volume and offering a specific menu with pictograms. Additionally, we have provided training for our staff to raise awareness about autism spectrum disorder and highlight best guest service practices to ensure an inclusive and respectful environment and customer experience at our restaurants. The program has been gaining traction and visibility and we are currently expanding the program to other countries. 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. Since 2021, we have quadrupled the presence of women in our management board and promoted more women than ever to managerial positions, we published a new code of conduct for the respectful interaction with the LGBTQI+ community, we established Blue Spaces for guests who suffer from Autism Spectrum Disorders in more than 2,000 restaurants across 10 countries. We believe our diversity and inclusion practices have generated improvements in business results, innovation, and decision-making, among others.

In 2023, the Committee focused on five specific areas:

- **Women's Network:** centered in issues of gender equality and providing women with all necessary tools for reaching their highest potential. The Women's Network is formed by women at all levels of the company, from the crew at the restaurant level to the 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 managerial levels 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 56% 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 2023 we increased the number of women in leadership positions and 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. In 2023 we also launched courses to promote equity in technology knowledge for women, enhancing their mastery of digital tools, strengthening their careers and improving their resumes. We have also received the "Espacio Seguro" seal in some of the countries in which we operate, which is granted to violence free workplaces, and have trained our crews to offer effective assistance to women at risk. We have also implemented comprehensive maternity benefits, including free prenatal care, medical care through the child's first year, lactation spaces in the workplace and free psychological care for mothers. All of these measures have led us to be acknowledged as one of the Best Workplaces for Women in several of the countries in which we operate, among other recognitions related to our gender initiatives.

- **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 and promoting open and respectful discussions about the needs of the LGBTQI+ community across all levels of the Company. In 2022 we published a new guide to educate all employees about LGBTQI+ issues and terminology. The guide has the objective of ensuring respectful interactions among all employees and fostering an inclusive and safe environment for members of the LGBTQI+ community. We have also implemented gender neutral uniforms and gender neutral bathrooms across several of our restaurants.
- **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. In 2022, we established a pilot program in our largest markets, where employees at different levels of the corporate structure work in another role within the corporate structure for one day. This pilot program was designed to help employees at different levels better understand the work demands and skills required as well as the issues, challenges and concerns faced by colleagues at different levels of the corporate structure. Part of the Committee's focus with respect to this topic consists in helping our younger employees what older generations expect from them in the workplace and teaching them to coexist, and in some cases supervise, employees from older generations, training our younger employees to understand what older generations expect from them as a part of the workforce while teaching them to coexist with, and sometimes supervise, individuals from older generations.
- **Health and Wellness:** our Committee is focused on initiatives to promote health and wellness and assisting employees who are feeling stressed. To that end, we have established a 24-hour medical consultation program via WhatsApp for employees in different markets, 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. We have created a Wellness Ambassadors program in each market in which we operate which aims to educate our employees in the special benefits the Company offers our younger employees, such as youth maternity support programs, preventive medicine programs in our restaurants, free dental and vision checks and free gym classes,
- **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. We have carried out internal surveys to identify all disabilities present across the Company and to quantify the amount of employees with disabilities in our workforce, and we have analyzed the tools such employees require to perform their work in order to supply them with those tools. Additionally, we have designed and published internal guidelines to ensure all our employees are trained to interact with individuals with disabilities and conducted seminars to give visibility to the contributions individuals with disabilities make to our achievements. Additionally, in 2022 we launched the project Blue Spaces that focuses on providing certain accommodations and making certain restaurant design adaptations to establish more inclusive spaces within our restaurants and to be more welcoming to our guests on the autism spectrum, including by reducing excessive sound and visual stimulation, making available menus with pictograms and prioritizing their orders.

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* Platform, which focuses, among other goals, on offering balanced meals that meet certain criteria regarding saturated fat, added sugar and sodium content. We also proactively 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 colors and flavors from our Core Menu items and Happy Meal bundle offerings in most of the regions in which we operate. We are expanding this initiative and beginning to apply it to other items on our menu. Despite the changes to our menu, we aim to preserve our high quality standards, including the use of 100% beef for our hamburgers and quality 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 food safety 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, as described above, 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 characterize our brand. 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, hand sanitizer is made available at the lobby of our restaurants and other locations throughout the restaurants. We also encourage our customers to use contactless payment methods, such as credit cards. 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.

In October 2022, the company resumed the *Puertas Abiertas* ("Open Doors") programs in all of its restaurants, after it was temporarily halted due to the COVID-19 pandemic. This is Arcos Dorados' flagship quality control program that proactively invites guest and key stakeholders 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.

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, the Rainforest Alliance and the Forest Stewardship Council ("FSC"), among others.

In 2023, Arcos Dorados joined the Earth Hour for the 14th 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, Argentina and Colombia. The total renewable energy utilized in 2023 was 171,917,979 kilowatt-hours, which represents approximately 30% of the total energy utilized by Arcos Dorados in 2023 and is an increase from 4% in 2019.

Climate Change

We expect to publish the results of our scopes 1, 2 and 3 greenhouse gas emissions as of December 31, 2023 in our Social Impact and Sustainable Development Report, which is scheduled to be released in May 2024.

Arcos Dorados is aware of the impact its supply chain has on the sustainability of its business, and we see this as a 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 2023 for the seventh 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 2023, 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 2023 CDP scores are as follows: for the Forest Program, B- in cattle products, B- in soy products and B in timber products; B- for the Climate Change Program; and C 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.

Packaging and Recycling

Our packaging sourcing 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 waste sorting opportunities for our customers in our restaurants. We understand that recycling infrastructure, regulations and consumer behaviors vary city to city and country to country, but we are committed to be part of the solution and help influence powerful change.

In 2023, we achieved 90,5% 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, Ecuador, Uruguay, Peru and Puerto Rico. 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 in our packaging and restaurants, which in turn helps to drive global demand for recycled materials.

Additionally, in Colombia, we have a project called "Hazlo Circular," in partnership with the sustainability startups Amazoniko, to offer free pickup of used food packaging from McDelivery orders for recycling and we have collected more than 2 tons of recyclable waste in the Bogota region as of the date of this report/in 2023.

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 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.
- Plastic lids on cold beverages for delivery service were replaced by paper/ PE seals.

Currently, our packaging includes 7,328 tons of recycled material (which amounts to 16.8% of recycled material in our packaging); that does not come into direct contact with food, showcasing our commitment to reducing packaging and increasing recycled material for a circular economy.

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 2023, 4 out of 11 toy campaigns for the year included sustainable toys in our Happy Meal menu. This represents 18 weeks and around 35% of the toys distributed during the year. Sustainable toys may be made with paper, cardboard, cloth or green polyethylene.

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. In 2023, we collected more than 15,000 packaging units through this partnership.

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 2023, 100% of our fiber volume met this goal. With respect to facility-level certification, 100% of our suppliers are certified as either FSC® (Forest Stewardship Council) 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 2023, we recovered more than 460 tons of cardboard, 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.

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 2023, more than 3,382,000 liters of used cooking oil were recycled for further use, including as biodiesel.

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 2023, all of our coffee suppliers reached our approved sustainable source certifications. More than 96% of all the coffee served in our restaurants located in Argentina, Brazil, Chile, Uruguay, Costa Rica, Panama, Mexico, Colombia and Ecuador is now Rainforest Alliance certified. Moreover, 100% of the total coffee served in our restaurants is certified, as we also receive certifications from other internationally certified sustainability standards.

Our fish, over the Territories in which we offer it on the menu, is sustainably raised to protect long term fish production and improve the marine ecosystem.

While we don't use palm oil in our cooking processes, we work with our suppliers to guarantee that when they use oil as an ingredient, it is 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. Arcos Dorados is a member of the Round Table on Responsible Soy (RTRS). The RTRS ensures responsible practices among soy growers for community relations, labor rights, legal compliance, business, agriculture and the environment. Arcos Dorados is engaged with chicken suppliers and the origin of soy used as an ingredient of their feed, supporting responsible production of soy through the purchase of RTRS credits.

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 Agrottools, 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 2023, we achieved 99.87% compliance with the deforestation-free beef procurement policy: for Brazil, 99.9% and for Argentina, 99.4% of the beef purchased from direct suppliers complies with the deforestation-free beef procurement 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 Brazilian Roundtable for Sustainable Beef ("GTPS" - *Grupo de Trabalho de Pecuária Sustentável*) 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. In 2023, we participated in the launch of the Uruguayan Sustainable Meat Table (MUCS). All three of these organizations are part of Global Roundtable for Sustainable Beef ("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. While the availability of suppliers who can scale up cage-free eggs has been a challenge in 2023, we achieved a cage-free system for fresh eggs in four markets: Brazil, Costa Rica, Colombia and Peru. As we continue moving forward towards our goal, we are evaluating local options to transition to cage-free fresh eggs in the other markets in which we operate. 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. Arcos Dorados aligns with McDonald's antibiotic stewardship, following health guidelines established by the World Health Organization (WHO) and the World Organization for Animal Health. Our efforts are outlined in McDonald's 2017 Vision for Antibiotic Stewardship, emphasizing responsible antibiotic use across chicken, beef, and pork. In Brazil, we successfully removed Highest Priority Critically Important antibiotics (HPCIA as per WHO classification of antibiotics) from chicken in 2018. Additionally, we actively contributed to McDonald's Antibiotic Policy for Beef, outlining expectations in compliance with local regulations.

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.

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, in 2023 marked the opening of an iconic restaurant in Brazil: PAB, our McDonald's restaurant in Latin America with the most features in our portfolio of sustainable initiatives, including:

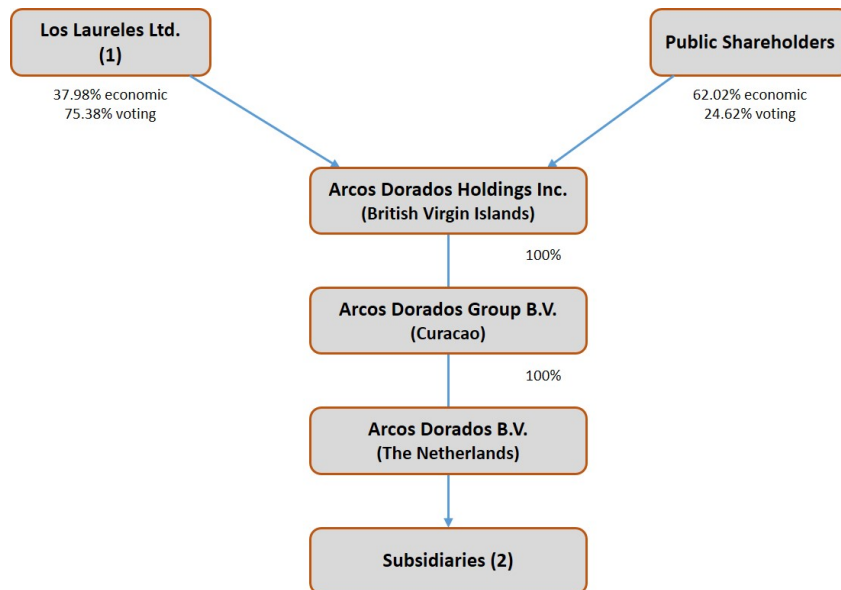
- Gardening
- Compostable
- Solar Panels
- LED lightning systems
- Solar water heaters
- Automatic signage lightning system with photocells
- Low consumption air conditioning systems
- Waste separation bins for customers
- FSC certified wood panels
- Electric vehicle charging stations
- Bicycle stations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

These initiatives, among others, have been deployed in our new restaurants across the region, and PAB is a clear example of a flagship store, 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, 2023.



(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%, and Arcos Dorados Colombia S.A.S., of which Mr. Woods Staton owns 0.0000002%.

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, 2023, we owned the land for 475 of our 2,361 restaurants. We owned the buildings for all but 7 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 (totaling approximately 1.1 million square meters), 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 475 restaurant properties, we have properties for corporate offices in Brazil and Argentina, an industrial center called Food Town in São Paulo, Brazil (where our logistics operator is located), and training centers in São Paulo (Brazil) and Buenos Aires (Argentina). Therefore, we own a total of 528 properties.

Additionally, we have rented regional offices in Montevideo (Uruguay), Mexico City (Mexico) and Bogotá (Colombia).

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, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, 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

Our operating segments are comprised of three geographic divisions, as follows: (i) Brazil; (ii) NOLAD, which 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 consists of Argentina, Chile, Ecuador, Peru, Uruguay, Colombia, Venezuela, Trinidad and Tobago, Aruba and Curaçao.

As of December 31, 2023, 47.9% of our restaurants were located in Brazil, 27.4% in NOLAD and 24.7% 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 2023, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.5% and 4.5% of our total revenues, respectively. In 2022 and 2021, sales by Company-operated restaurants and revenues from franchised restaurants represented 95.5% and 4.5% and 95.6% and 4.4% 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 delivery fee, 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. 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, net, include gains and losses on asset acquisitions and dispositions, gains related to sales and exchange of restaurant businesses, write-offs of long-lived assets, insurance recovery, impairment charges, rental income and depreciation expenses of excess properties, accrual for contingencies, write-offs of inventory, recovery of taxes, results from equity method investments and other miscellaneous items.

Other Line Items

Net interest expense and other financing results primarily includes interest expense on our short-term and long-term debt, interest income and other financial results.

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

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 (expenses) income, 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, net 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 16 restaurants at December 31, 2023 (16 restaurants at December 31, 2022).

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 2023 and 2022, 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.

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 reimagining or remodeling, rebuilding, road construction, natural disasters and/or other circumstances such as pandemics. 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 long-lived assets; 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 long-lived assets, 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 71.1% of our systemwide restaurants are Company-operated as of December 31, 2023.

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.

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). 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. See "Item 3. Key Information—A. Selected Financial Data—Exchange Rates and Exchange Controls" for information regarding exchange rates for the Argentine currency.

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) 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, 2023, 2022, and 2021 amounted to \$218.7 million, \$201.4 million and \$186.2 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 2023, we recognized net loss amounting to \$22.6 million as compared to net loss amounting to \$57.7 million in 2022 and net gain of \$36.6 million in 2021. 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, 2023, there are certain matters related to the interpretation of income tax laws which could be challenged by tax authorities in an amount of \$250 million, related to assessments for the fiscal years 2009 to 2017. 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.

In addition, there are certain matters related to the interpretation of other tax, customs, labor and civil laws for which there is a reasonable possibility that a loss may have been incurred in accordance with ASC 450-20-50-4 in a range of \$511 million and \$576 million. In accordance with ASC 405-20-50-6, unasserted claims or assessments that do not meet the conditions mentioned have not been included.

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,	
	2023	2022	2021	2023 ⁽²⁾	2022 ⁽⁴⁾	2023 ⁽²⁾	2022 ⁽⁴⁾	2023 ⁽³⁾	2022 ⁽⁵⁾
	(in thousands of U.S. dollars, except percentages)								
Company-operated restaurants	4,137,675	3,457,491	2,543,907	19.7 %	35.9 %	40.7 %	45.7 %	37.2 %	43.4 %
Franchised restaurants ⁽⁶⁾	1,477,990	1,270,243	938,243	16.4 %	35.4 %	29.0 %	38.6 %	27.2 %	33.3 %
Total restaurants	5,615,665	4,727,734	3,482,150	18.8 %	35.8 %	37.6 %	43.8 %	34.6 %	40.7 %

- 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.
- In nominal terms, sales increased during 2023 due to comparable sales growth of 34.6%, as a result of the recovery in traffic in all divisions and the increase in average check. This was partially offset by the negative impact of the depreciation of currencies, mainly in Argentina and Venezuela. We had 1,678 Company-operated restaurants and 683 franchised restaurants as of December 31, 2023, compared to 1,633 Company-operated restaurants and 679 franchised restaurants as of December 31, 2022.
- Our comparable sales increase on a systemwide basis in 2023 was driven by the increase in traffic in almost all markets, together with the increase of average check in all divisions.
- In nominal terms, sales increased during 2022 due to comparable sales growth of 40.7%, as a result of 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 and the increase in average check. This was partially offset by the negative impact of the depreciation of currencies, mainly in Argentina and Chile. We had 1,633 Company-operated restaurants and 679 franchised restaurants as of December 31, 2022, compared to 1,579 Company-operated restaurants and 682 franchised restaurants as of December 31, 2021.
- Our comparable sales increase on a systemwide basis in 2022 was driven by the increase in traffic in almost all markets, together with the increase of average check in all divisions.
- Franchised restaurant 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,	
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022
(in thousands of U.S. dollars, except percentages)											
Company-operated restaurants:											
Brazil	\$ 1,574,792	\$ 1,319,855	\$ 921,821	19.3 %	43.2 %	15.2 %	36.8 %	11.4 %	32.0 %		
NOLAD	1,097,980	890,423	759,030	23.3 %	17.3 %	14.6 %	19.4 %	10.5 %	19.8 %		
SLAD	1,464,903	1,247,213	863,056	17.5 %	44.5 %	86.4 %	78.4 %	84.2 %	76.2 %		
Total Sales by Company-operated restaurants	4,137,675	3,457,491	2,543,907	19.7 %	35.9 %	40.7 %	45.7 %	37.2 %	43.4 %		
Franchised-restaurants: (3)											
Brazil	979,973	855,711	641,038	14.5 %	33.5 %	10.5 %	27.6 %	7.5 %	24.3 %		
NOLAD	265,453	227,469	168,652	16.7 %	34.9 %	6.1 %	34.0 %	11.0 %	23.6 %		
SLAD	232,564	187,063	128,553	24.3 %	45.5 %	141.5 %	99.3 %	134.6 %	92.2 %		
Total sales by Franchised restaurants	1,477,990	1,270,243	938,243	16.4 %	35.4 %	29.0 %	38.6 %	27.2 %	33.3 %		
Total restaurants:											
Brazil	2,554,765	2,175,566	1,562,859	17.4 %	39.2 %	13.4 %	33.0 %	9.9 %	28.8 %		
NOLAD	1,363,433	1,117,892	927,682	22.0 %	20.5 %	12.9 %	22.0 %	10.6 %	20.6 %		
SLAD	1,697,467	1,434,276	991,609	18.4 %	44.6 %	93.6 %	81.1 %	90.9 %	78.3 %		
Total sales by restaurants	5,615,665	4,727,734	3,482,150	18.8 %	35.8 %	37.6 %	43.8 %	34.6 %	40.7 %		

	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,	
	2023	2022	2021	2023	2022	2021	2023 ⁽¹⁾	2022 ⁽²⁾
(in thousands of U.S. dollars, except for number of restaurants)								
Company-operated restaurants	\$ 4,137,675	\$ 3,457,491	\$ 2,543,907	1,678	1,633	1,579	\$ 2,466	\$ 2,117
Franchised restaurants ⁽³⁾	1,477,990	1,270,243	938,243	683	679	682	2,164	1,871
Total restaurants	5,615,665	4,727,734	3,482,150	2,361	2,312	2,261	2,379	2,045

- (1) Our average restaurant sales ("ARS") increased in 2023 due to higher traffic in all divisions compared to 2022 and an average check growth mainly driven by Venezuela's hyperinflation and high inflation in Argentina as well as growth above inflation in our main markets. This was partially offset by the negative impact of the depreciation of currencies, mainly in Argentina and Venezuela.
- (2) Our average restaurant sales ("ARS") increased in 2022 due to higher traffic as a result of lower lockdowns and almost no capacity limits related to the COVID-19 pandemic in all divisions compared to 2021 and an average check growth mainly driven by Venezuela's hyperinflation and high inflation in Argentina as well as growth above inflation in our main markets. This was partially offset by the negative impact of the depreciation of currencies, mainly in Argentina and Chile.
- (3) Franchised restaurant 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, 2023 Compared to Year Ended December 31, 2022

Set forth below are our results of operations for the years ended December 31, 2023 and 2022.

	For the Years Ended December 31,		% Change
	2023	2022	
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	\$ 4,137,675	\$ 3,457,491	19.7 %
Revenues from franchised restaurants	194,203	161,411	20.3 %
Total revenues	4,331,878	3,618,902	19.7 %
Company-operated restaurant expenses:			
Food and paper	(1,457,720)	(1,227,293)	18.8 %
Payroll and employee benefits	(790,042)	(668,764)	18.1 %
Occupancy and other operating expenses	(1,154,334)	(967,690)	19.3 %
Royalty fees	(249,278)	(194,522)	28.1 %
Franchised restaurants – occupancy expenses	(83,359)	(68,028)	22.5 %
General and administrative expenses	(285,000)	(239,263)	19.1 %
Other operating income, net	1,894	11,080	(82.9) %
Total operating costs and expenses	(4,017,839)	(3,354,480)	19.8 %
Operating income	314,039	264,422	18.8 %
Net interest expense and other financing results	(32,275)	(43,750)	(26.2) %
Loss from derivative instruments	(13,183)	(10,490)	25.7 %
Foreign currency exchange results	10,774	16,501	(34.7) %
Other non-operating (expenses) income, net	(1,238)	(287)	331.4 %
Income before income taxes	278,117	226,396	22.8 %
Income tax expense, net	(95,702)	(85,476)	12.0 %
Net income	182,415	140,920	29.4 %
Less: Net income attributable to non-controlling interests	(1,141)	(577)	97.7 %
Net income attributable to Arcos Dorados Holdings Inc.	\$ 181,274	\$ 140,343	29.2 %

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2023 and 2022.

Systemwide Restaurants	For the Years Ended December 31,	
	2023	2022
Systemwide restaurants at beginning of period	2,312	2,261
Restaurant openings	81	66
Restaurant closings	(32)	(15)
Systemwide restaurants at end of period	2,361	2,312

Company-Operated Restaurants	For the Years Ended December 31,	
	2023	2022
Company-operated restaurants at beginning of period	1,633	1,579
Restaurant openings	60	47
Restaurant closings	(27)	(9)
Net conversions of franchised restaurants to Company-operated restaurants	12	16
Company-operated restaurants at end of period	1,678	1,633

Franchised Restaurants	For the Years Ended December 31,	
	2023	2022
Franchised restaurants at beginning of period	679	682
Restaurant openings	21	19
Restaurant closings	(5)	(6)
Net conversions of franchised restaurants to Company-operated restaurants	(12)	(16)
Franchised restaurants at end of period	683	679

Revenues

	For the Years Ended December 31,		% Change
	2023	2022	
(in thousands of U.S. dollars)			
Sales by Company-operated restaurants			
Brazil	\$ 1,574,792	\$ 1,319,855	19.3 %
NOLAD	1,097,980	890,423	23.3 %
SLAD	1,464,903	1,247,213	17.5 %
Total	4,137,675	3,457,491	19.7 %
Revenues from franchised restaurants			
Brazil	126,755	109,250	16.0 %
NOLAD	34,932	29,766	17.4 %
SLAD	32,516	22,395	45.2 %
Total	194,203	161,411	20.3 %
Total revenues			
Brazil	1,701,547	1,429,105	19.1 %
NOLAD	1,132,912	920,189	23.1 %
SLAD	1,497,419	1,269,608	17.9 %
Total	4,331,878	3,618,902	19.7 %

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants increased by \$680.2 million, or 19.7%, from \$3,457.5 million in 2022 to \$4,137.7 million in 2023. This growth was mainly driven by the increase in traffic in the Territories, 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 \$1,288.1 million. In addition, the opening of 107 Company-operated restaurants, the closure of 36 Company-operated restaurants and the conversion of 28 franchised restaurants into Company-operated restaurants since January 1, 2022, contributed \$120.8 million to sales. This was partially offset by the depreciation of currencies against the U.S. dollar, which resulted in a \$728.7 million sales decline, mainly in Argentina and Venezuela.

In Brazil, sales by Company-operated restaurants increased by \$254.9 million, or 19.3%, to \$1,574.8 million in 2023. This was primarily due to an increase of comparable sales of 11.4%, as a result of higher traffic, and an average check growth related to price increases and revenue management strategies that improved product mix, which resulted in a sales increase of \$150.2 million. In addition, 54 net restaurants openings coupled with the conversion of 4 franchised restaurants into Company-operated restaurants since January 1, 2022 resulted in a \$50.3 million increase in sales and the appreciation of the Brazilian *real* against the U.S. dollar, resulted in a sales increase of \$54.4 million.

In NOLAD, sales by Company-operated restaurants increased by \$207.6 million, or 23.3%, to \$1,098.0 million in 2023. This was due to a comparable sales growth of 10.5%, which resulted in a sales increase of \$95.4 million. The conversion of 20 franchised restaurants into Company-operated restaurants, the opening of 24 Company-operated restaurants and the closing of 3 Company-operated restaurants since January 1, 2022, had a positive impact of \$34.9 million to sales, while the appreciation of local currencies also had a \$77.3 million positive impact on sales.

In SLAD, sales by Company-operated restaurants increased by \$217.7 million, or 17.5%, to \$1,464.9 million in 2023. This was the result of both higher traffic and higher average check in the SLAD division that led to an increase in comparable sales of \$1,042.5 million. In addition, the opening of 22 Company-operated restaurants and the closure of 26 Company-operated restaurants, coupled with the conversion of 4 franchised restaurants into Company-operated restaurants, since January 1, 2022 contributed \$35.6 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*, the Venezuelan *bolívar* and Colombian *Peso*, which caused sales to decrease by \$860.4 million in 2023.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants increased by \$32.8 million, or 20.3%, from \$161.4 million in 2022 to \$194.2 million in 2023. Higher revenues are mainly driven by an increase in comparable sales, which caused revenues to grow by \$44.6 million. In addition, the increase in the percentage of rental income over sales from franchised restaurants improved revenues from franchised restaurants in \$5.1 million. Moreover, the net opening of 29 franchised restaurants, partially offset by the conversion of 28 franchised restaurant into Company-operated restaurants, since January 1, 2022, which increased revenues by \$4.0 million. This was partially offset by the depreciation of currencies against the U.S. dollar, which caused revenues to decrease by \$20.9 million.

In Brazil, revenues from franchised restaurants increased by \$17.5 million, or 16.0%, to \$126.8 million in 2023, which was mainly driven by higher comparable sales of 7.5%, which increased revenues by \$8.3 million. Additionally, the net opening of 25 franchised restaurants, since January 1, 2022, caused revenues from franchised restaurants to increase by \$3.4 million. The increase in rental income as a percentage of sales contributed \$1.4 million to revenues, while the appreciation of the *real* against the U.S. dollar contributed to an increase in revenues of \$4.4 million.

In NOLAD, revenues from franchised restaurants increased by \$5.2 million, or 17.4%, to \$34.9 million in 2023. This increase was driven by higher comparable sales of 11.0%, which resulted in a \$3.0 million growth in revenues. This was coupled with an increase in rental income as percentage of sales that contributed \$0.2 million to sales. In addition, the appreciation of local currencies had a positive impact of \$3.1 million. This was partially offset by the conversion of 20 franchised restaurants into Company-operated restaurants, the opening of 5 franchised restaurants and the closing of 4 franchised restaurants since January 1, 2022, which caused revenues to decrease by \$1.2 million.

In SLAD, revenues from franchised restaurants increased by \$10.1 million, or 45.2%, to \$32.5 million in 2023. This increase was driven by higher comparable sales of 134.6%, highly driven by hyperinflation in Venezuela and Argentina, and due to a higher traffic, which resulted in a \$33.3 million increase in revenues. This was coupled with higher rental income as a percentage of sales, which contributed \$3.4 million to revenues. Moreover, the opening of 6 franchised restaurants and the closing of 3 franchised restaurants since January 1, 2022, increased revenues by \$1.8 million. This was partially offset by the depreciation of currencies against the U.S. dollar in the division, which caused a decrease in revenues of \$28.4 million.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs increased by \$230.4 million, or 18.8%, to \$1,457.7 million in 2023, as compared to 2022. As a percentage of our total sales by Company-operated restaurants, food and paper costs decreased 0.3 percentage points to 35.2%. This decrease is explained by higher price increases as compared to cost increases in several markets.

In Brazil, food and paper costs increased by \$86.1 million, or 18.9%, to \$541.9 million in 2023. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 0.1 percentage points to 34.4%, primarily as a result of a pricing strategy, that was partly offset by the increases in costs, and due to lower controllables.

In NOLAD, food and paper costs increased by \$69.6 million, or 21.7%, to \$391.1 million in 2023. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 0.5 percentage points to 35.6%. Lower food and paper costs in NOLAD were primarily driven by higher price increases as compared to cost increases in Mexico, Costa Rica, Panama and Puerto Rico.

In SLAD, food and paper costs increased by \$74.6 million, or 16.6%, to \$524.7 million in 2023. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 0.3 percentage points to 35.8%, mainly explained by the performance of Argentina, Colombia and Chile. This was partly offset by negative impact from its inventory and waste management.

Payroll and Employee Benefits

Our total payroll and employee benefits costs increased by \$121.3 million, or 18.1%, to \$790.0 million in 2023, as compared to 2022. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs decreased 0.2 percentage points to 19.1%. The decrease as a percentage of sales was mostly attributable to the increase in sales and efficiencies in management payroll.

In Brazil, payroll and employee benefits costs increased by \$36.4 million, or 14.3%, to \$290.6 million in 2023. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased by 0.8 percentage points to 18.5%, mainly as a result of the decrease in crew payroll as percentage of sales, due to a lower increase of crew hour costs than the increase of average check, coupled with lower management payroll cost as a percentage of sales due to the increase in sales and operational efficiencies.

In NOLAD, payroll and employee benefits costs increased by \$46.6 million, or 26.0%, to \$225.5 million in 2023. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs increased by 0.4 percentage points to 20.5%, mainly due to an increase in crew payroll as percentage of sales was due to an increase in crew hour costs above average check growth in Mexico and Costa Rica and an increase in management payroll costs as a percentage of sales in Mexico, Costa Rica and Puerto Rico. This was partly offset by higher productivity in Mexico.

In SLAD, payroll and employee benefits costs increased by \$38.3 million, or 16.3%, to \$274.0 million in 2023. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits decreased by 0.2 percentage points to 18.7%. This is mainly explained by a decrease in management payroll as a percentage of sales due to the increase in sales mainly in Argentina, Colombia and Uruguay.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses increased by \$186.6 million, or 19.3%, to \$1,154.3 million in 2023, as compared to 2022. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses decreased 0.1 percentage points to 27.9%, mainly as a consequence of the increase in sales, which led to higher absorption of fixed costs.

In Brazil, occupancy and other operating expenses increased by \$75.4 million, or 20.5%, to \$443.3 million in 2023. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses increased by 0.3 percentage points to 28.2%, mainly due to higher delivery costs.

In NOLAD, occupancy and other operating expenses increased by \$57.0 million, or 22.7%, to \$307.9 million in 2023. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased by 0.1 percentage points to 28.0% due to higher absorption of fixed costs, such as outside rent, utilities, IT Services and insurance related to the increase in sales.

In SLAD, occupancy and other operating expenses increased by \$54.2 million, or 15.5%, to \$403.2 million in 2023. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased by 0.5 percentage points to 27.5%, due to higher sales, which had a positive impact on fixed costs absorption such as maintenance and repair expenses, IT services and insurance.

Royalty Fees

Our total royalty fees increased by \$54.8 million, or 28.1%, to \$249.3 million in 2023, as compared to 2022. As a percentage of sales, royalty fees increased by 0.4 percentage points to 6.0%, mainly due to a scheduled increase in the royalty fees owed to McDonald's under the MFA agreement effective as of August 2022.

In Brazil, royalty fees increased by \$14.0 million, or 23.2%, to \$74.5 million in 2023. As a percentage of sales, royalty fees increased 0.1 percentage points to 4.7% due to a scheduled increase in royalty fees owed to McDonald's under the MFA agreement as of August 2022. This was partially offset by growth support funding that McDonald's provides to Arcos Dorados.

In NOLAD, royalty fees increased by \$19.3 million, or 34.1%, to \$75.8 million in 2023, as compared to 2022. As a percentage of sales, royalty fees increased 0.6 percentage points to 6.9% due to a scheduled increase in royalty fees owed to McDonald's under the MFA agreement as of August 2022.

In SLAD, royalty fees increased by \$21.4 million, or 27.7%, to \$98.9 million in 2023, as compared to 2022. As a percentage of sales, royalty fees increased by 0.5 percentage points to 6.8%, due to a scheduled increase in royalty fees owed to McDonald's under the MFA agreement as of August 2022.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants increased by \$15.3 million or 22.5%, to \$83.4 million in 2023, as compared to 2022, mainly due to higher rent expenses for leased properties, as a consequence of higher comparable sales from franchised restaurants. This was partially offset by depreciation of currencies, especially in Venezuela and Argentina against the U.S. dollar.

In Brazil, occupancy expenses from franchised restaurants increased by \$11.8 million, or 24.1%, to \$60.8 million in 2023, as compared to 2022. This increase in occupancy expenses from franchised restaurants was primarily due to higher Other Franchised expenses, coupled with higher rent expenses for leased properties, as a consequence of the increase in comparable sales from franchised restaurants, coupled with higher expenses related to the appreciation of the Brazilian *real* against the U.S. dollar.

In NOLAD, occupancy expenses from franchised restaurants increase by \$1.6 million, or 14.3%, to \$12.6 million in 2023, as compared to 2022, mainly due to higher rent expenses for leased properties, as a consequence of higher comparable sales from franchised restaurants and higher expenses related to the appreciation of the Mexican *peso* against the U.S. dollar.

In SLAD, occupancy expenses from franchised restaurants increased by \$2.0 million, or 24.5%, to \$9.9 million in 2023, as compared to 2022, mainly due to higher rent expenses for leased properties, as a consequence of the increase in comparable sales from franchised restaurants. This was partially offset by the depreciation of the Argentinean *peso* and Venezuelan *bolivar* against the U.S. dollar.

Set forth below are the margins for our franchised restaurants in 2023 as compared to 2022. 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,	
	2023	2022
Brazil	52.0%	55.1%
NOLAD	64.0%	63.0%
SLAD	69.4%	64.4%
Total	57.1%	57.9%

General and Administrative Expenses

General and administrative expenses increased by \$45.7 million, or 19.1%, to \$285.0 million in 2023. This is explained by higher expenses in all divisions, mainly related to payroll expenses, variable compensation and outside service expenses, mostly explained by Argentina's inflation. This was partially offset by the depreciation of currencies, especially the Argentine *peso*, that contributed \$83.5 million to the reduction in general and administrative expenses.

In Brazil, general and administrative expenses increased by \$10.0 million, or 16.5%, to \$70.5 million in 2023, as compared to 2022. The increase is explained by higher payroll expenses amounting to \$4.9 million, coupled with higher Occupancy expenses of \$4.8 million. In addition, higher travel expenses of \$1.5 million also contributed to an increase in general and administrative expenses. Additionally, the appreciation of the Brazilian *real* against the U.S. dollar increased

general and administrative expenses by \$2.3 million. This was partially offset by lower variable compensation of \$3.0 million, together with lower outside services of \$0.5 million.

In NOLAD, general and administrative expenses increased by \$11.0 million, or 28.7%, to \$49.1 million in 2023, as compared to 2022. This increase is a result of higher payroll expenses in an amount of \$4.9 million, coupled with higher bonuses and other variable compensation amounting to \$1.5 million in addition to higher travel and occupancy expenses. The appreciation of the Mexican *Peso*, the Costa Rican *colon* and the Euro against the U.S. dollar increased general and administrative expenses by \$3.6 million.

In SLAD, general and administrative expenses increased by \$8.0 million, or 17.4%, to \$53.7 million in 2023, as compared to 2022. This increase is mainly explained by higher payroll amounting to \$28.8 million, together with bonuses and other variable compensation amounting to \$5.2 million, mainly in Argentina due to its inflationary environment, and higher outside services amounting to \$5.4 million. In addition, there were higher other expenses amounting to \$4.0 million, higher occupancy expenses amounting to \$2.6 million, and higher travel expenses amounting to \$2.4 million. This was partially offset by the depreciation of various currencies against the U.S. dollar, mainly the Argentine *peso*, Venezuelan *bolivar* and Colombian *peso*, amounting to \$40.6 million.

General and administrative expenses for Corporate and others increased by \$16.8 million, or 17.7%, to \$111.7 million in 2023, as compared to 2022. This increase is mainly related to Argentina's inflation, as a portion of our Corporate expenses are denominated in Argentine *pesos*. In 2023, we had an increase in payroll expenses for an amount of \$32.3 million, an increase in bonuses and other variable compensations of \$18.8 million coupled with an increase in outside services for \$10.3 million as well as higher travel expenses for \$3.8 million and higher occupancy for \$3.2 million. This was partially offset by the depreciation of currencies against the U.S. dollar, especially the Argentine *peso*, amounting to \$48.8 million, coupled with lower other expenses, amounting to \$2.8 million.

Other Operating Income, net

Other operating income, net decreased by \$9.2 million, to a gain of \$1.9 million in 2023 from a gain of \$11.1 million in 2022. This decrease was primarily attributable to higher write off and impairment of long-lived assets.

Operating Income

	For the Years Ended December 31,		% Change
	2023	2022	
	(in thousands of U.S. dollars)		
Brazil	\$ 230,024	\$ 186,862	23.1 %
NOLAD	73,237	61,832	18.4 %
SLAD	121,683	107,520	13.2 %
Corporate and other and purchase price allocation	(110,905)	(91,792)	(20.8) %
Total	314,039	264,422	18.8 %

Operating income increased by \$49.6 million, or 18.8%, to a gain of \$314.0 million in 2023 from a gain of \$264.4 million in 2022, as a result of the foregoing factors discussed above.

Net Interest Expense and other financing results

Net interest expense and other financing results decreased by \$11.5 million, or 26.2%, to \$32.3 million in 2023, as compared to 2022. The decrease was primarily explained by higher net financing gains amounting to \$15.3 million as a consequence of investments in funds and time deposits, among others, by the results related to the liability management transactions executed during 2022 when the Company issued the 2029 sustainability-linked notes, redeemed a portion of the 2023 notes and conducted a cash tender offer of the 2023 and 2027 notes, amounting to \$10.6 million, and lower interest expense on Senior Notes during 2023 due to these transactions amounting to \$3.5 million. This was partially offset by a loss from securities transactions amounting to \$20 million.

Loss from Derivative Instruments

Loss from derivative instruments increased by \$2.7 million to a loss of \$13.2 million in 2023, from a loss of \$10.5 million in 2022, attributable to the results of derivatives instruments not designated as hedge accounting.

Foreign Currency Exchange Results

Foreign currency exchange gain decreased by \$5.7 million, from a gain of \$16.5 million in 2022 to a gain of \$10.8 million in 2023. The variation was primarily attributable to the impact of the appreciation of the Mexican peso (13%) and the European euro (3%), which resulted in a loss of \$4.3 million and \$2.3 million respectively, on the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiaries, partially offset by a gain due to the appreciation of the Brazilian real of 8% in 2023.

Other Non-operating (Expenses) Income, Net

Other non-operating (expenses) income, net increased by \$0.9 million to a \$1.2 million loss in 2023, as compared to a \$0.3 million loss in 2022, primarily related to a tax provision generated by investments.

Income Tax Expense, net

Income tax expense, net increased by \$10.2 million, from \$85.5 million in 2022 to \$95.7 million in 2023, mainly related to a higher pre-tax income in 2023. The consolidated effective tax rate was 34.4% in 2023, as compared to 37.8% in 2022, primarily explained by a decrease in the weighted-average statutory income tax rate of 2.9% (from 39.0% to 36.1% as a consequence of the Income Tax distribution between the legal entities we have in different countries) and a positive change in the permanent differences of \$1.9 million.

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 \$1.1 million in the full year ended December 31, 2023.

Net Income Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net income attributable to Arcos Dorados Holdings Inc. increased by \$41 million from a gain of \$140.3 million in 2022, to a gain of \$181.3 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Set forth below are our results of operations for the years ended December 31, 2022 and 2021.

	For the Years Ended December 31,		%
	2022	2021	
	(in thousands of U.S. dollars)		
Sales by Company-operated restaurants	\$ 3,457,491	\$ 2,543,907	35.9 %
Revenues from franchised restaurants	161,411	116,034	39.1 %
Total revenues	3,618,902	2,659,941	36.1 %
Company-operated restaurant expenses:			
Food and paper	(1,227,293)	(899,077)	36.5 %
Payroll and employee benefits	(668,764)	(482,608)	38.6 %
Occupancy and other operating expenses	(967,690)	(772,169)	25.3 %
Royalty fees	(194,522)	(131,401)	48.0 %
Franchised restaurants – occupancy expenses	(68,028)	(50,627)	34.4 %
General and administrative expenses	(239,263)	(210,909)	13.4 %
Other operating income, net	11,080	26,369	(58.0) %
Total operating costs and expenses	(3,354,480)	(2,520,422)	33.1 %
Operating income	264,422	139,519	89.5 %
Net interest expense and other financing results	(43,750)	(49,546)	(11.7) %
Loss from derivative instruments	(10,490)	(5,183)	102.4 %
Foreign currency exchange results	16,501	(9,189)	(279.6) %
Other non-operating (expenses) income, net	(287)	2,185	(113.1) %
Income before income taxes	226,396	77,786	191.0 %
Income tax expense	(85,476)	(31,933)	167.7 %
Net income	140,920	45,853	207.3 %
Less: Net income attributable to non-controlling interests	(577)	(367)	57.2 %
Net income attributable to Arcos Dorados Holdings Inc.	\$ 140,343	\$ 45,486	208.5 %

Set forth below is a summary of changes to our systemwide, Company-operated and franchised restaurant portfolios in 2022 and 2021.

Systemwide Restaurants	For the Years Ended December 31,	
	2022	2021
Systemwide restaurants at beginning of period	2,261	2,236
Restaurant openings	66	46
Restaurant closings	(15)	(21)
Systemwide restaurants at end of period	2,312	2,261

Company-Operated Restaurants	For the Years Ended December 31,	
	2022	2021
Company-operated restaurants at beginning of period	1,579	1,576
Restaurant openings	47	32
Restaurant closings	(9)	(12)
Net conversions of franchised restaurants to Company-operated restaurants	16	(17)
Company-operated restaurants at end of period	1,633	1,579

Franchised Restaurants	For the Years Ended December 31,	
	2022	2021
Franchised restaurants at beginning of period	682	660
Restaurant openings	19	14
Restaurant closings	(6)	(9)
Net conversions of franchised restaurants to Company-operated restaurants	(16)	17
Franchised restaurants at end of period	679	682

Revenues

	For the Years Ended December 31,		% Change
	2022	2021	
(in thousands of U.S. dollars)			
Sales by Company-operated restaurants			
Brazil	\$ 1,319,855	\$ 921,821	43.2 %
NOLAD	890,423	759,030	17.3 %
SLAD	1,247,213	863,056	44.5 %
Total	3,457,491	2,543,907	35.9 %
Revenues from franchised restaurants			
Brazil	109,250	80,960	34.9 %
NOLAD	29,766	21,836	36.3 %
SLAD	22,395	13,238	69.2 %
Total	161,411	116,034	39.1 %
Total revenues			
Brazil	1,429,105	1,002,781	42.5 %
NOLAD	920,189	780,866	17.8 %
SLAD	1,269,608	876,294	44.9 %
Total	3,618,902	2,659,941	36.1 %

Sales by Company-operated Restaurants

Total sales by Company-operated restaurants increased by \$913.6 million, or 35.9%, from \$2,543.9 million in 2021 to \$3,457.5 million in 2022. This growth was mainly driven by the increase in traffic in the Territories, as a result of higher mobility and less stringent capacity limits related to the COVID-19 pandemic compared to 2021, 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 \$1,096.3 million. In addition, the opening of 79 Company-operated restaurants, the closure of 21 Company-operated restaurants and the conversion of 1 Company-operated restaurant into a franchised restaurant since January 1, 2021, contributed \$66.9 million to sales. This was partially offset by the depreciation of currencies against the U.S. dollar, which resulted in a \$249.6 million sales decline, mainly in Argentina, Chile, Venezuela and Colombia.

In Brazil, sales by Company-operated restaurants increased by \$398.0 million, or 43.2%, to \$1,319.9 million in 2022. This was primarily due to an increase of comparable sales of 32.0%, as a result of higher traffic driven by an increase in mobility compared to 2021, and an average check growth related to price increases and revenue management strategies that improved product mix, which resulted in a sales increase of \$293.5 million. In addition, 43 net restaurants openings coupled with the conversion of 3 franchised restaurants into Company-operated restaurants since January 1, 2021 resulted in a \$45.9 million increase in sales and the appreciation of the Brazilian *real* against the U.S. dollar, resulted in a sales increase of \$58.6 million.

In NOLAD, sales by Company-operated restaurants increased by \$131.4 million, or 17.3%, to \$890.4 million in 2022. This was due to a comparable sales growth of 19.8%, driven by the increase in traffic as a result of higher mobility, which resulted in a sales increase of \$149.0 million. The conversion of 10 Company-operated restaurants into franchised restaurants, the opening of 12 Company-operated restaurants and the closing of 4 Company-operated restaurants since January 1, 2021, had a negative impact of \$1.9 million to sales, while the depreciation of local currencies also had a \$15.7 million negative impact on sales.

In SLAD, sales by Company-operated restaurants increased by \$384.2 million, or 44.5%, to \$1,247.2 million in 2022. This was the result of both higher traffic and higher average check in the SLAD division that led to an increase in comparable sales of \$653.8 million. Average check growth was mainly driven by the inflationary context in Venezuela and Argentina. Traffic increased as a result of higher mobility and loosening of restrictions related to the COVID-19 pandemic compared to 2021. In addition, the conversion of 6 franchised restaurants into Company-operated restaurants, the opening of 16 Company-operated restaurants and closure of 9 Company-operated restaurants since January 1, 2021 contributed \$22.9 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*, Chilean *peso*, the Venezuelan *bolivar* and Colombian *Peso*, which caused sales to decrease by \$292.5 million in 2022.

Revenues from Franchised Restaurants

Our total revenues from franchised restaurants increased by \$45.4 million, or 39.1%, from \$116.0 million in 2021 to \$161.4 million in 2022. Higher revenues are mainly driven by an increase in comparable sales due to higher traffic in the Territories as a result of higher mobility and less stringent capacity limits at our restaurants related to the COVID-19 pandemic compared to 2021 and an increase in average check, which caused revenues to grow by \$37.8 million. In addition, the increase in the percentage of rental income over sales from franchised restaurants improved revenues from franchised restaurants in \$3.9 million. This was partially offset by the depreciation of currencies against the U.S. dollar, which caused revenues to decrease by \$3.0 million, coupled with the conversion of 1 franchised restaurant into a Company-operated restaurant, partially offset by the net opening of 18 franchised restaurants since January 1, 2021, which increased revenues by \$6.7 million.

In Brazil, revenues from franchised restaurants increased by \$28.3 million, or 34.9%, to \$109.3 million in 2022, which was mainly driven by higher comparable sales of 24.3% due to an increase in traffic and average check, which increased revenues by \$19.7 million. Additionally, the net opening of 21 franchised restaurants, since January 1, 2021, caused revenues from franchised restaurants to increase by \$2.9 million. The increase in rental income as a percentage of sales contributed \$0.9 million to revenues, while the appreciation of the *real* against the U.S. dollar contributed to an increase in revenues by \$4.8 million.

In NOLAD, revenues from franchised restaurants increased by \$7.9 million, or 36.3%, to \$29.8 million in 2022. This increase was driven by higher comparable sales of 23.6% related to the recovery of traffic in the Territories, which resulted in a \$5.4 million growth in revenues. Moreover, the conversion of 10 Company-operated restaurants into franchised restaurants, the opening of 3 franchised restaurants and the closing of 2 franchised restaurants since January 1, 2021, increased revenues by \$2.1 million. This was coupled with an increase in rental income as percentage of sales that contributed \$0.3 million to sales. In addition, the appreciation of local currencies had a positive impact of \$0.2 million.

In SLAD, revenues from franchised restaurants increased by \$9.2 million, or 69.2%, to \$22.4 million in 2022. This increase was driven by higher comparable sales of 92.2% due to an increase in average check, highly driven by hyperinflation in Venezuela and Argentina, and due to a recovery in traffic, which resulted in a \$12.7 million increase in revenues. This was coupled with higher rental income as a percentage of sales, which contributed \$2.8 million to revenues. Moreover, the opening of 3 franchised restaurants and the closing of 7 franchised restaurants since January 1, 2021, increased revenues by \$1.7 million. In addition, the depreciation of currencies against the U.S. dollar in the division represented a decrease in revenues of \$8.0 million.

Operating Costs and Expenses

Food and Paper

Our total food and paper costs increased by \$328.2 million, or 36.5%, to \$1,227.3 million in 2022, as compared to 2021. As a percentage of our total sales by Company-operated restaurants, food and paper costs increased 0.2 percentage points to 35.5%. This increase is explained by the heightened food inflation levels in 2022 that in certain markets could not be fully translated into prices.

In Brazil, food and paper costs increased by \$128.1 million, or 39.1%, to \$455.8 million in 2022. As a percentage of the division's sales by Company-operated restaurants, food and paper costs decreased by 1.0 percentage points to 34.5%, primarily as a result of a pricing strategy that could compensate part of the increases in costs, but also due to important improvements in product mix.

In NOLAD, food and paper costs increased by \$57.2 million, or 21.6%, to \$321.5 million in 2022. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 1.3 percentage points to 36.1%. Higher food and paper costs in NOLAD were primarily driven by an increase in costs that was not translated into prices in Costa Rica, Panama and Puerto Rico and worse product mix in Mexico and Panama.

In SLAD, food and paper costs increased by \$143.0 million, or 46.6%, to \$450.0 million in 2022. As a percentage of the division's sales by Company-operated restaurants, food and paper costs increased by 0.5 percentage points to 36.1%, mainly explained by the performance of Colombia, where there was a temporary VAT elimination from June 2020 to December 2021. Additionally, the division had a negative impact from its inventory and waste management, partially offset by a favorable product mix in Chile, Uruguay and Colombia.

Payroll and Employee Benefits

Our total payroll and employee benefits costs increased by \$186.2 million, or 38.6%, to \$668.8 million in 2022, as compared to 2021. As a percentage of our total sales by Company-operated restaurants, payroll and employee benefits costs increased 0.4 percentage points to 19.3%. The increase as a percentage of sales was mostly attributable to the government aid received during 2021 in SLAD related to the COVID-19 pandemic.

In Brazil, payroll and employee benefits costs increased by \$71.8 million, or 39.3%, to \$254.2 million in 2023. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs decreased by 0.5 percentage points to 19.3%, mainly as a result of lower management payroll cost as a percentage of sales due to the increase in sales and higher productivity, coupled with operational efficiencies. This was partly offset by crew payroll increase in crew hour cost above average check.

In NOLAD, payroll and employee benefits costs increased by \$26.6 million, or 17.5%, to \$178.9 million in 2022. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits costs remain flat at 20.1%, mainly due to a decrease in management payroll costs as a percentage of sales due to higher sales mainly in Mexico, Costa Rica and Panama. In addition, the slight increase in crew payroll as percentage of sales was due to an increase in crew hour costs above average check growth in Mexico, Puerto Rico and Panama. This was partly offset by higher productivity in Panama and crew hour cost growth that was below average check growth in Costa Rica.

In SLAD, payroll and employee benefits costs increased by \$87.8 million, or 59.4%, to \$235.7 million in 2022. As a percentage of the division's sales by Company-operated restaurants, payroll and employee benefits increased by 1.8 percentage points to 18.9%. This is mainly explained by the government aid received in 2021 in Argentina and Chile, which was partly offset by a decrease in management payroll as a percentage of sales due to the increase in sales mainly in Chile and Argentina coupled with higher productivity.

Occupancy and Other Operating Expenses

Our total occupancy and other operating expenses increased by \$195.5 million, or 25.3%, to \$967.7 million in 2022, as compared to 2021. As a percentage of our total sales by Company-operated restaurants, occupancy and other operating expenses decreased 2.4 percentage points to 28.0%, mainly as a consequence of the increase in sales due to higher mobility, which led to higher absorption of fixed costs.

In Brazil, occupancy and other operating expenses increased by \$85.2 million, or 30.2%, to \$367.9 million in 2022. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased by 2.8 percentage points to 27.9%, due to higher mobility, which led to higher sales that had a positive impact on the absorption of fixed costs, mainly utilities, depreciation and amortization, IT, outside rent, and maintenance and repair expenses.

In NOLAD, occupancy and other operating expenses increased by \$24.6 million, or 10.9%, to \$250.9 million in 2022. As a percentage of the division's sales by Company-operated restaurants, occupancy and other operating expenses decreased by 1.6 percentage points to 28.2% due to higher absorption of fixed costs, such as depreciation and amortization expenses, outside rent and insurance related to the increase in sales.

In SLAD, occupancy and other operating expenses increased by \$85.5 million, or 32.5%, to \$349.0 million in 2022. As a percentage of the division’s sales by Company-operated restaurants, occupancy and other operating expenses decreased by 2.5 percentage points to 28.0%, due to higher sales, which had a positive impact on fixed costs absorption such as depreciation and amortization, outside services, outside rent utilities, IT services and insurance.

Royalty Fees

Our total royalty fees increased by \$63.1 million, or 48.0%, to \$194.5 million in 2022, as compared to 2021. As a percentage of sales, royalty fees increased by 0.5 percentage points to 5.6%, mainly due to a scheduled increase in the royalty fees owed to McDonald’s under the MFA agreement effective as of August 2022.

In Brazil, royalty fees increased by \$25.4 million, or 72.4%, to \$60.5 million in 2022. As a percentage of sales, royalty fees increased 0.8 percentage points to 4.6% due to a scheduled increase in royalty fees owed to McDonald’s under the MFA agreement as of August 2022. This was partially offset by growth support funding that McDonald’s provides to Arcos Dorados.

In NOLAD, royalty fees increased by \$11.8 million, or 26.4%, to \$56.6 million in 2022, as compared to 2021. As a percentage of sales, royalty fees increased 0.5 percentage points to 6.4% due to a scheduled increase in royalty fees owed to McDonald’s under the MFA agreement as of August 2022.

In SLAD, royalty fees increased by \$25.9 million, or 50.3%, to \$77.5 million in 2022, as compared to 2021. As a percentage of sales, royalty fees increased by 0.2 percentage points to 6.2%, due to a scheduled increase in royalty fees owed to McDonald’s under the MFA agreement as of August 2022.

Franchised Restaurants—Occupancy Expenses

Occupancy expenses from franchised restaurants increased by \$17.4 million or 34.4%, to \$68.0 million in 2022, as compared to 2021, mainly due to higher rent expenses for leased properties, as a consequence of higher comparable sales from franchised restaurants. This was partially offset by depreciation of currencies, especially in Venezuela and Argentina against the U.S. dollar.

In Brazil, occupancy expenses from franchised restaurants increased by \$13.1 million, or 36.6%, to \$49.0 million in 2022, as compared to 2021. This increase in occupancy expenses from franchised restaurants was primarily due to higher rent expenses for leased properties, as a consequence of the increase in comparable sales from franchised restaurants, coupled with the appreciation of the Brazilian *real* against the U.S. dollar.

In NOLAD, occupancy expenses from franchised restaurants increased by \$2.0 million, or 22.2%, to \$11.0 million in 2022, as compared to 2021, mainly due to higher rent expenses for leased properties, as a consequence of higher comparable sales from franchised restaurants.

In SLAD, occupancy expenses from franchised restaurants increased by \$2.3 million, or 39.4%, to \$8.0 million in 2022, as compared to 2021, 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 *bolivar* against the U.S. dollar.

Set forth below are the margins for our franchised restaurants in 2022 as compared to 2021. 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,	
	2022	2021
Brazil	55.1 %	55.7 %
NOLAD	63.0 %	58.7 %
SLAD	64.4 %	56.8 %
Total	57.9 %	56.4 %

General and Administrative Expenses

General and administrative expenses increased by \$28.4 million, or 13.4%, to \$239.3 million in 2022. This is explained by higher expenses in Corporate, SLAD and Brazil of \$60.6 million, mainly related to higher variable compensation, payroll expenses and an increase in outside service expenses, mostly explained by Argentina's inflation and better results than in 2021. This was partially offset by lower expenses in NOLAD of \$1.8 million, due to lower severance expenses and variable compensation, and the depreciation of currencies, especially the Argentine *peso*, that contributed \$30.5 million to the reduction in general and administrative expenses.

In Brazil, general and administrative expenses increased by \$8.4 million, or 16.2%, to \$60.5 million in 2022, as compared to 2021. The increase resulted mainly from bonuses and other variable compensation, explained by higher results than in 2021, and payroll expenses amounting to \$4.5 million and \$2.5 million, respectively. In addition, higher outside services of \$0.7 million, together with higher travel expenses of \$0.7 million also contributed to an increase in general and administrative expenses. This was partially offset by lower severance expenses in an amount of \$2.5 million. Additionally, the appreciation of the Brazilian *real* against the U.S. dollar increased general and administrative expenses by \$2.6 million.

In NOLAD, general and administrative expenses decreased by \$2.4 million, or 6.0%, to \$38.2 million in 2022, as compared to 2021. This decrease is a result of lower severance expenses of \$2.2 million and lower bonuses and other variable compensation amounting to \$2.0 million. These effects were partially offset by higher payroll expenses in an amount of \$1.6 million, coupled with higher travel, occupancy expenses and other expenses amounting to \$0.9 million. The depreciation of the Euro and the Costa Rican *colon* against the U.S. dollar decreased general and administrative expenses by \$0.7 million.

In SLAD, general and administrative expenses increased by \$5.3 million, or 13.0%, to \$45.7 million in 2022, as compared to 2021. Despite the sharp currency depreciation of the Venezuelan *bolívar*, Venezuela experienced an increase of general and administrative expenses of \$1.0 million, mainly related to higher payroll expenses. Moreover, in the other markets of SLAD division, general and administrative expenses increased by \$4.2 million in 2022, as compared to 2021. This increase is mainly explained by higher payroll amounting to \$8.2 million, together with bonuses and other variable compensation amounting to \$2.2 million, mainly in Argentina due to its inflationary environment, and higher outside services amounting to \$1.5 million. In addition, there were higher travel expenses amounting to \$0.9 million and other expenses amounting to \$0.7 million. This was partially offset by lower severance expenses of \$1.6 million and by the depreciation of various currencies against the U.S. dollar, mainly the Argentine *peso*, amounting to \$7.7 million.

General and administrative expenses for Corporate and others increased by \$17.1 million, or 22.0%, to \$94.9 million in 2022, as compared to 2021. This increase is mainly related to Argentina's inflation, as a portion of our Corporate expenses are denominated in Argentine *pesos*. There were higher payroll expenses in an amount of \$14.6 million, higher bonuses and other variable compensations of \$11.4 million together with higher outside services for \$4.5 million. Also, higher travel expenses for \$4.2 million and higher occupancy and other expenses for \$2.9 million and \$2.5 million, respectively. This was partially offset by the depreciation of currencies against the U.S. dollar, especially the Argentine *peso*, amounting to \$23.1 million.

Other Operating Income (Expenses), net

Other operating income (expense), net decreased by \$15.3 million, to a gain of \$11.1 million in 2022 from a gain of \$26.4 million in 2021. This decrease was primarily attributable to tax credits recognized in Brazil amounting to \$18.5 in 2021.

Operating Income

	For the Years Ended December 31,		% Change
	2022	2021	
	(in thousands of U.S. dollars)		
Brazil	\$ 186,862	\$ 117,887	58.5 %
NOLAD	61,832	48,785	26.7 %
SLAD	107,520	48,614	121.2 %
Corporate and other and purchase price allocation	(91,792)	(75,767)	(21.2) %
Total	264,422	139,519	89.5 %

Operating income increased by \$124.9 million, or 89.5%, to a gain of \$264.4 million in 2022 from a gain of \$139.5 million in 2021, as a result of the foregoing factors discussed above.

Net Interest Expense and other financing results

Net interest expense and other financing results decreased by \$5.8 million, or 11.7%, to \$43.8 million in 2022, as compared to 2021. The decrease was primarily explained by higher net financing results amounting to \$22.8 million as a consequence of investments in funds and time deposits, among others, partially offset by results related to the liability management transactions executed during 2022 when the Company issued the 2029 sustainability-linked notes, redeemed a portion of the 2023 notes and conducted a cash tender offer of the 2023 and 2027 notes, amounting to \$10.6 million; and a loss from securities transactions amounting to \$6.9 million.

Loss from Derivative Instruments

Loss from derivative instruments increased by \$5.3 million to a loss of \$10.5 million in 2022, from a loss of \$5.2 million in 2021, attributable to the results of derivatives instruments not designated as hedge accounting.

Foreign Currency Exchange Results

Foreign currency exchange gain (loss) decreased by \$25.7 million, from a loss of \$9.2 million in 2021 to a gain of \$16.5 million in 2022. The variation was primarily attributable to the impact of an appreciation of the Brazilian *real* of 5% in comparison to the depreciation of 7% in 2021.

Other Non-operating (Expenses) Income, Net

Other non-operating (expenses) income, net decreased by \$2.5 million to a \$0.3 million loss in 2022, as compared to a \$2.2 million gain in 2021, primarily related to an income tax credit generated by dividend distributions between subsidiaries in 2021.

Income Tax Expense

Income tax expense increased by \$53.6 million, from \$31.9 million in 2021 to \$85.5 million in 2022, mainly related to a higher pre-tax income in 2022. The consolidated effective tax rate was 37.8% in 2022, as compared to 41.1% in 2021, primarily explained by a decrease in the weighted-average statutory income tax rate of 2.4% (from 41.4% to 39.0%) and a positive change in the permanent differences of \$2.5 million.

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 \$0.6 million in the full year ended December 31, 2022.

Net Income Attributable to Arcos Dorados Holdings Inc.

As a result of the foregoing, net income attributable to Arcos Dorados Holdings Inc. increased by \$94.8 million from a gain of \$45.5 million in 2021, to a gain of \$140.3 million in 2022.

B. Liquidity and Capital Resources

Financial strategy overview

As part of our day-to-day operations, we manage our financial strategy considering, among other things, our liquidity risk and refinancing risk, our debt profile (including our indebtedness level and leverage ratios), the market risk and interest rate risk of our treasury investments as well as our financial debt and our foreign exchange risk.

In order to achieve our financial strategy, we hold several assets on our balance sheet, mainly cash positions in foreign currencies needed to support operations in each of the markets where we operate, treasury investments to reduce the negative carry of our debt, derivatives positions to hedge our exposure to foreign exchange risks, and other non-material financial assets.

We also have several key processes to address macroeconomic and financial challenges such as multi-year planning, periodic re-projections, internal reporting, and key human resources to supervise the outcomes of the financial strategy. While these processes cannot predict or fully mitigate any risk we may encounter in the future, we believe they help us adapt to different circumstances and more effectively implement our financial strategy.

Cash position, credit lines and liquidity risk

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, including the day-to-day operations of our business, our credit profile to enter in new commercial agreements, the payment of the interests generated by our financial agreements and notes outstanding, the payment of dividends, and our capital expenditures plan.

To further support our cash position, we have maintained a revolving credit facility with JPMorgan since 2019 for a total amount of \$25 million. This revolving credit facility can be drawn at any time and was renewed in December 2022 with its maturity date extended to February 2024. On February 15, 2024, the Company renewed it upon the same terms and conditions maturing on February 17, 2026. In addition, in April 2024, our subsidiary Arcos Dorados B.V. entered into a revolving credit facility with Itaú Unibanco S.A., Nassau Branch for a total of \$25,000,000. This revolving credit facility was entered into on April 15, 2024 and will mature on April 14, 2025. See "—Revolving Credit Facilities". In addition, pursuant to the MFAs, we also maintain standby letters of credit in favor of McDonald's in the amounts of (i) \$45 million issued by Credit Suisse, (ii) \$15 million issued by Itaú and (iii) \$20 million issued by JPMorgan. See "Item 10. Additional Information—C. Material Contracts—The MFAs—Letters of Credit."

We are comfortable we maintain sufficient uncommitted credit facilities in excess of our daily cash needs as of the end of 2023. Due to the improvement of our operations and business outcomes, since 2020 we have been able to improve our financial condition and achieve a total cash, cash equivalents and short-term investments position of \$246.8 million as of the end of 2023, which is more than 5 times the annual interest payment due on our outstanding senior notes.

Debt Profile

We evaluate our debt profile considering the following variables:

- Total indebtedness level
- Total senior notes annual interest payments and yield
- Total cash and equivalents position
- Debt maturities and average life of debt
- Gross and net leverage
- Interest coverage
- Other financial covenants including in financial arrangements

Through these variables, we evaluate our liquidity and refinancing risk. For more information on liquidity risk, see above "—Cash position, credit lines and liquidity risk." Regarding refinancing risk, the Company faces the following material maturities:

	Maturity date	Outstanding amount	Interest rate
2027 Notes	April 4, 2027	379,265	5.875 %
2029 Notes	May 27, 2029	334,200	6.125 %

In September 2023, our 2023 Notes matured and we cancelled the outstanding principal amount thereof using our cash position, without requiring third-party financing.

For the 2027 and 2029 Notes, neither maturity poses a refinancing risk in the upcoming years. However, we may decide to include such notes on future liability management exercises.

Therefore, the refinancing risk as a whole is considerably reduced in the short and medium term. Additionally, the notes' maturities are denominated in U.S. dollars with a fixed interest rate, which mitigates our interest rate risk exposure.

Derivatives

An important part of our financial strategy is the analysis of our foreign exchange risk, given that a substantial part of the free cash flow we generate is denominated in local currencies such as Brazilian *reais*, Chilean *pesos*, Euros, Uruguayan *pesos*, Argentinian *pesos*, Colombian *pesos* and Mexican *pesos*, among others. Conversely, part of our liabilities are denominated in U.S. dollars. To help reduce our exposure to foreign exchange risk, we focus on purchasing locally sourced products to the extent possible. With respect to the products and supplies that are not locally sourced, we have a risk management policy to hedge our exposure with a rolling hedges strategy, taking hedges of nine months or more, of up to 50% of our projected exposure.

Furthermore, we are subject to foreign exchange risk because most of our debt is denominated in U.S. dollars. See "—2023 Notes", "—2027 Notes" and "—2029 Sustainability-Linked Notes". To mitigate this exposure, we entered into a series of long-term derivative instruments (See Note 13 to our consolidated financial statements for more detail). This allows us to synthetically convert U.S. dollar denominated debt into local currency denominated debt, such as Brazilian *reais*. While this generates an additional interest payment (due to local currency rates being higher than U.S. dollar interest rates), it reduces the refinancing risk in events of sudden currency depreciation. Our derivatives portfolio is intended to balance the cost of hedging and the resulting risk mitigation.

Overview

Net cash provided by operations increased by \$36.5 million, from \$345.4 million in 2022 to \$382 million in 2023. Cash used in our investing activities was \$380.3 million in 2023, compared to \$259.6 million in 2022. Cash used in financing activities was \$11.8 million in 2023, compared to cash used in financing activities of \$60 million in 2022. In 2023, Cash used in financing activities included \$22.9 million deriving from financing results related to the payment of the 2023 notes and repurchases of the 2027 and 2029 notes, and certain dividend payments of \$40 million.

Net cash provided by operations increased by \$87.4 million, from \$258 million in 2021 to \$345.4 million in 2022. Cash used in our investing activities was \$259.6 million in 2022, compared to \$108.3 million in 2021. Cash used in financing activities was \$60 million in 2022, compared to cash used in financing activities of \$17.9 million in 2021. In 2022, Cash used in financing activities included \$13.5 million deriving from financing results related to the liability management transactions executed during 2022 when the Company issued the 2029 sustainability-linked notes, redeemed a portion of the 2023 notes and conducted a cash tender offer of the 2023 and 2027 notes, and certain dividend payments of \$31.6 million.

As of December 31, 2023, our total financial debt was \$728.1 million (including interest payable), consisting of \$714.9 million in long-term debt (of which \$377.8 million related to the 2027 notes, including the original issue discount, \$330.5 million related to the 2029 notes, including the original issue discount, and \$8.5 million in finance lease obligations, partially offset by \$3.7 million related to deferred financing costs), \$7.4 million in interest payable and \$29.5 million in short-term

debt, the amount of which was offset by \$23.7 million related to the fair market value of our outstanding derivative instruments.

At December 31, 2022, our total financial debt was \$674.4 million (including interest payable), consisting of \$730.7 million in long-term debt (of which \$18.2 million related to the 2023 notes, including the original issue discount, \$379.4 million related to the 2027 notes, including the original issue discount, \$332.8 million related to the 2029 notes, including the original issue discount, and \$5 million in finance lease obligations, partially offset by \$4.7 million related to deferred financing costs), \$7.9 million in interest payable and \$0.3 million in short-term debt, the amount of which was offset by \$64.5 million related to the fair market value of our outstanding derivative instruments.

Cash and cash equivalents were \$196.7 million at December 31, 2023 and \$266.9 million at December 31, 2022.

Comparative Cash Flows

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

	For the Years Ended December 31,		
	2023	2022	2021
	(in thousands of U.S. dollars)		
Net cash provided by operating activities	\$ 381,965	\$ 345,437	\$ 258,044
Net cash used in investing activities	(380,349)	(259,649)	(108,279)
Net cash used in financing activities	(11,823)	(59,978)	(17,926)
Effect of exchange rate changes on cash and cash equivalents	(60,069)	(37,703)	(18,998)
(Decrease) Increase in cash and cash equivalents	(70,276)	(11,893)	112,841

Operating Activities

	For the Years Ended December 31,		
	2023	2022	2021
	(in thousands of U.S. dollars)		
Net income attributable to Arcos Dorados Holdings Inc.	\$ 181,274	\$ 140,343	\$ 45,486
Non-cash charges and credits	178,074	120,778	119,993
Changes in assets and liabilities	22,617	84,316	92,565
Net cash provided by operating activities	381,965	345,437	258,044

For the year ended December 31, 2023, net cash provided by operating activities was \$382 million, compared to \$345.4 million in 2022. The \$36.6 million increase is attributable to the increase in net income, mainly due to a sustainable business improvement in terms of volume and financial results, the increase in non-cash charges contributed by \$57.3 million, and the decrease of the change in assets and liabilities of \$61.7 million.

For the year ended December 31, 2022, net cash provided by operating activities was \$345.4 million, compared to \$258.0 million in 2021. The \$87.4 million increase is attributable to the increase in net income, mainly due to a sustainable business improvement in terms of volume and financial results, the increase in non-cash charges contributed by \$0.8 million, and the decrease of the change in assets and liabilities of \$8.2 million.

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 by investing activities by type:

	For the Years Ended December 31,		
	2023	2022	2021
	(in thousands of U.S. dollars)		
Property and equipment expenditures	\$ (360,097)	\$ (217,115)	\$ (114,999)
Purchases of restaurant businesses paid at acquisition date	(2,081)	(4,800)	(185)
Proceeds from sales of property and equipment, restaurant businesses and related advances	2,540	2,714	1,987
Proceeds from short-term investments	66,735	—	—
Acquisitions of short-term investments	(86,719)	(41,083)	—
Others, net	(727)	635	4,918
Net cash used in investing activities	(380,349)	(259,649)	(108,279)

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

	For the Years Ended December 31,		
	2023	2022	2021
	(in thousands of U.S. dollars)		
New restaurants	\$ 141,591	\$ 72,332	\$ 44,089
Existing restaurants	162,393	89,183	35,477
Other(1)	56,113	55,600	35,433
Total property and equipment expenditures	360,097	217,115	114,999

(1) Primarily corporate equipment and other office expenditures.

In 2023, net cash used in investing activities was \$380.3 million, compared to \$259.6 million in 2022. This \$120.7 million increase was primarily attributable to an increase in property and equipment expenditures of \$143 million, to the acquisition of short-term investments amounting to \$45.6 million, partially offset by proceeds from short-term investments of \$66.7 million in comparison with 2022.

Property and equipment expenditures increased by \$143 million, from \$217.1 million in 2022 to \$360.1 million in 2023. The increase in property and equipment expenditures is explained by an increase in existing restaurants of \$73.2 million, and an increase in investment in new restaurants of \$69.3 million as well as in corporate equipment and other office expenditures of \$0.5 million. In 2023, we opened 81 restaurants and closed 32 restaurants.

Other investing activities increased by \$1.4 million in 2023, mainly due to less proceeds from franchised notes in 2023.

In 2022, net cash used in investing activities was \$259.6 million, compared to \$108.3 million in 2021. This \$151.3 million increase was primarily attributable to an increase in property and equipment expenditures of \$102.1 million, to the acquisition of short-term investments amounting to \$41.1 million, and an increase in purchases of restaurant businesses paid at acquisition date of \$4.6 million in comparison with 2021.

Property and equipment expenditures increased by \$102.1 million, from \$115 million in 2021 to \$217.1 million in 2022. The increase in property and equipment expenditures is explained by an increase in existing restaurants of \$53.7 million, and an increase in investment in new restaurants of \$28.2 million as well as in corporate equipment and other office expenditures of \$20.2 million. In 2022, we opened 66 restaurants and closed 15 restaurants.

Other investing activities decreased by \$4.3 million in 2022, mainly due to proceeds from franchised notes in 2021.

Financing Activities

	For the Years Ended December 31,		
	2023	2022	2021
	(in thousands of U.S. dollars)		
Net collection of derivative instruments	\$ 30,165	\$ —	\$ 23,240
Open Market Repurchases of 2029 Senior Notes	(2,813)	(12,014)	—
Cash Tender & Open Market Repurchases of 2027 Senior Notes	(1,904)	(159,034)	(18,364)
Settlement at maturity, Cash Tender, Partial Redemption & Open Market Repurchases of 2023 Senior Notes	(18,224)	(192,380)	(16,231)
Dividend payments to Arcos Dorados Holdings Inc. shareholders	(40,022)	(31,587)	(21)
Issuance of 2029 Notes	—	349,969	—
Payments of other Long-term Debt	(800)	(8,327)	(2,573)
Net short-term borrowings	29,384	359	—
Net payments of derivative premiums	(2,581)	—	—
Other financing activities	(5,028)	(6,964)	(3,977)
Net cash used in by financing activities	(11,823)	(59,978)	(17,926)

Net cash used in financing activities was \$11.8 million in 2023, compared to \$60 million in 2022. The \$48.2 million decrease in the amount of cash used in financing activities was primarily attributable to the collection of derivative instruments of \$30.2 million, to short-term borrowings of \$29.4 million, partially offset by the increase in dividends paid in cash of \$8.4 million compared with 2022.

Net cash used in financing activities was \$60 million in 2022, compared to \$18 million in 2021. The \$42 million increase in the amount of cash used in financing activities was primarily attributable to the collection of derivative instruments of \$23.2 million in 2021, the dividends paid in cash for \$31.6 million in 2022, and \$13.5 million deriving from financing results related to the liability management transactions executed during 2022 when the Company issued the 2029 sustainability-linked notes, redeemed a portion of the 2023 notes and conducted a cash tender offer of the 2023 and 2027 notes.

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
JPMorgan

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 1.00 as of the last day of the fiscal quarter ended December 31, 2020, 15.25 to 1.00 as of the last day of the fiscal quarter ending on March 30, 2021, 5.25 to 1.00 as of the last day of the fiscal quarter ending on June 30, 2021 and 4.25 to 1.00 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 1.00 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. Additionally, on December 12, 2022, the Company entered into a further amendment to the revolving credit facility with JPMorgan. Pursuant to this amendment, the maturity date was extended to February 15, 2024. On February 14, 2024, the Company entered into a further amendment to the revolving credit facility with JPMorgan pursuant to which the facility's maturity was extended to February 17, 2026.

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, 2023, our net indebtedness (including interest payable) to EBITDA ratio was 1.02 and as such we were in compliance with such ratio.

Itaú Unibanco

On April 15, 2024, our subsidiary Arcos Dorados B.V. entered into a revolving credit facility with Itaú Unibanco S.A., Nassau Branch, for up to \$25 million maturing on April 14, 2025. Each loan made to Arcos Dorados B.V. under this agreement will bear interest at an annual rate equal to (i) Term SOFR plus 2.65% per annum, for any loans made up to an aggregate principal amount of loans outstanding of \$12.5 million after giving effect to the disbursement thereof, or (ii) Term SOFR plus 4.85% per annum for any loans made in excess of an aggregate principal amount of loans outstanding of \$12.5 million after giving effect to the disbursement thereof.

The obligations of Arcos Dorados B.V. under the loans granted pursuant to the revolving credit facility are guaranteed by Arcos Dourados Comércio de Alimentos S.A. on an unconditional basis. Furthermore, the agreement includes customary covenants including, among others, restrictions on the ability of Arcos Dorados B.V. to: (i) incur liens, (ii) enter into any merger, consolidation or amalgamation; (iii) sell, lease, transfer or otherwise dispose of all or substantially all of its assets; (iv) make any material change in the nature of its business or operations as carried out on the date of the agreement; and (v) engage in transactions that violate certain sanctions and anti-terrorism laws. The revolving credit facility provides for customary events of default. In the event of the occurrence of any such event of default, the lender's obligation to make loans under the revolving credit facility could be terminated and/or all loans outstanding and any other amounts owed could become immediately due and payable.

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 matured on September 27, 2023 and bore interest of 6.625% per year. Interest was 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 were redeemable at our option at any time at the applicable redemption price set forth in the indenture.

The 2023 notes were fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries. The 2023 notes and guarantees (i) were senior unsecured obligations and rank equal in right of payment with all of our and the guarantors' existing and future senior unsecured indebtedness; (ii) were 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) were structurally subordinated to all obligations of our subsidiaries that were not guarantors.

The indenture governing the 2023 notes limited 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 were subject to important qualifications and exceptions. The indenture governing the 2023 notes also provided 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 a whole number) of 2027 notes per \$1,000 (expressed as a 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 a whole number) of 2027 notes per \$1,000 (expressed as a whole number) of 2023 notes at the settlement date. In addition, any fractional portion of the 2027 notes less than \$1,000 (expressed as a 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 \$1,053.60 (expressed as a whole number) per \$1,000 (expressed as a whole number) 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 \$59.2 million plus accrued and unpaid interest. All tendered 2023 notes were cancelled on April 27, 2022.

On May 9, 2022, we announced the intention to redeem \$123 million of the outstanding 2023 Notes at a price equal to the greater of (i) 100% of the outstanding principal amount of the Notes to be redeemed, and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate (as defined in the Indenture) plus 50 basis points, plus in each case accrued and unpaid interest (including Additional Amounts, if any) from March 27, 2022 to, but excluding the redemption date. As a result, on June 10, 2022, we redeemed \$123 million at a price equal to 104.58% plus accrued and unpaid interest.

During 2022, we repurchased through open market repurchases \$1.3 million of the outstanding principal amount of 2023 notes at a price equal to 102.30% (equivalent to \$1.3 million) plus accrued and unpaid interest. As of December 31, 2022, \$18.2 million aggregate principal amount of the 2023 notes was outstanding.

The 2023 notes matured on September 27, 2023 and were repaid in full.

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 for a total consideration of \$1,029.38 (expressed as a whole a number) per \$1,000 (expressed as a whole number) principal amount of 2027 notes validly tendered and accepted for purchase plus accrued interest, which expired on April 29, 2022. As a result of the tender offer, we repurchased 27.99% of the outstanding principal amount of the 2027 notes. The total payment was \$154.4 million plus accrued and unpaid interest. All tendered 2027 notes were cancelled on May 4, 2022.

During 2022, we repurchased through open market repurchases \$4.7 million of the outstanding principal amount of 2027 notes at a price equal to 98.01% (equivalent to \$4.6 million) plus accrued and unpaid interest. As of December 31, 2022, \$381.3 million aggregate principal amount of the 2027 notes was outstanding.

During 2023, we repurchased through open market repurchases \$2 million of the outstanding principal amount of 2027 notes at a price equal to 95.20% (equivalent to \$1.9 million) plus accrued and unpaid interest. As of December 31, 2023, \$379.3 million aggregate principal amount of the 2027 notes was outstanding.

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.

During 2022, we repurchased through open market repurchases \$12.8 million of the outstanding principal amount of 2029 sustainability-linked notes at a price equal to 93.87% (equivalent to \$12 million) plus accrued and unpaid interest. As of December 31, 2022, \$337.2 million aggregate principal amount of the 2029 sustainability-linked notes was outstanding.

During 2023, we repurchased through open market repurchases \$3 million of the outstanding principal amount of 2029 sustainability-linked notes at a price equal to 93.75% (equivalent to \$2.8 million) plus accrued and unpaid interest. As of December 31, 2023, \$334.2 million aggregate principal amount of the 2029 sustainability-linked notes was outstanding.

For purposes of the 2029 sustainability-linked notes, Arcos Dorados B.V. selected each of the Scope 1 and 2 2025 sustainability target (the "Scope 1 and 2 2025 Sustainability Target") and the Scope 3 2025 sustainability target (the "Scope 3 2025 Sustainability Target" and, together with the Scope 1 and 2 2025 Sustainability Target, the "Sustainability Performance Targets") as the sustainability performance targets, as updated in October 2023.

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.

In October 2023, we re-issued our Sustainability-Linked Financing Framework 2022, which contains a new set of improved methodologies to track our progress with respect to our sustainability plan, including the Sustainability Performance Targets set under Arcos Dorados B.V.'s 2029 sustainability-linked notes. The revised Sustainability-Linked Financing Framework 2022 does not change our improvement targets, when measured as a percentage compared to the baseline, but adjusts the underlying calculations to provide a better base for performance comparability and consistency between years as we keep progressing in our decarbonization strategy.

To maintain the measurability of our progress towards our sustainable performance targets, including those included in Arcos Dorados B.V.'s 2029 sustainability-linked notes, we applied these changes and performed a re-baseline that contains: i) an update of our 2021 emissions inventory, ii) a recalculation of our sustainable performance targets in order to maintain ambitious sustainability goals, while adjusting for the new baseline figures to maintain comparability. We are maintaining the targeted reduction percentages and, all the inventory re-baseline figures have been audited by a third party as required by the International Capital Markets Association ("ICMA"). The 2021 rebaseline figures for our key performance indicators have been prepared by South Pole Carbon Asset Management Ltd. ("South Pole").

The changes implemented to our Sustainability-Linked Financing Framework 2022 are in line with the Greenhouse Gas Protocol as well as the Sustainability-Linked Bond Principles 2020 ("SLBP"), published by the ICMA, given that the changes implemented were made retrospectively in order to maintain the comparability with past figures.

Under the terms of the re-issued Sustainability-Linked Financing Framework 2022, the new sustainability targets that will be used to track our performance are the following:

- a. Scope 1 And 2 2025 Sustainability Target: absolute greenhouse gas (GHG) emissions to be equal to or lower than 231,791 tCO₂e by the end of 2025.
- b. Scope 3 2025 Sustainability Target: reduce greenhouse gas (GHG) emission intensity to be equal to or lower than 8.67 tCO₂e per total annual tonnes of food and packaging by the end of 2025.

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, the further redemption of 2023 notes, 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, 2023.

Contractual Obligations	Payment Due by Period						
	Total	2024	2025	2026	2027	2028	Thereafter
	(in thousands of U.S. dollars)						
Finance lease obligations(1)	\$ 12,326	\$ 1,970	\$ 1,707	\$ 1,073	\$ 1,072	\$ 1,072	\$ 5,432
Operating lease obligations	\$ 1,718,179	155,283	149,045	142,337	136,562	128,741	1,006,211
Contractual purchase obligations(2)	\$ 248,764	145,281	39,149	19,040	7,239	7,026	31,029
2027 and 2029 notes(1) (3)	\$ 904,037	42,752	42,752	42,752	410,876	20,470	344,435
Other long term borrowings	\$ 1,700	500	1,200	—	—	—	—
Derivative instruments	\$ (23,728)	10,260	7,557	6,792	(40,558)	504	(8,283)
Total	\$ 2,861,278	\$ 356,046	\$ 241,410	\$ 211,994	\$ 515,191	\$ 157,813	\$ 1,378,824

(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 \$8.1 million of contractual obligations for 2024 only.

(3) Does not include the impact of the deferred financing costs and the net discount related to the issue of the 2027 and 2029 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 had a significant recovery in economic growth and consumer consumption rates in the second half of 2021 and through 2022. Results of operations in 2023 reached several new record highs related to sales and profitability, particularly with the growth in the delivery and drive-thru sales segments as well as the ongoing normalization of front counter, dessert center and McCafé sales segments.

We successfully re-financed the short-term indebtedness incurred at the peak of the COVID-19 pandemic and, in May 2022, we re-financed substantially all the outstanding balance on our 2023 Notes by issuing our 2029 Notes. As of December 31, 2023, our Net Debt to Adjusted EBITDA ratio stood at 1.02x.

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, mergers and acquisitions or additional funding by some of our competitors could lead them to expand, which might bring additional pressure to our market leadership and affect gross margins.
- *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, supply chain, 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 income (loss)" component of shareholders' equity and, consequently, our results of operations and financial condition.
- *Social unrest:* The recent politically and economically complex scenario in Latin America has sparked social unrest in several countries, including Argentina, Brazil, Perú, and Ecuador. Some of those protests caused disruption of our services, due to road blocks, curfews and labor issues, and we have also suffered property damages in some cases. Any continuation of or increase in social unrest in 2024 could lead to additional operational costs, a decline in sales or other negative impacts on 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 2023 the industry saw a blending of "dining out" and "ordering in" as more consumers looked to have the restaurant experience in their homes. This was a natural consumer evolution from post-pandemic habits formed over the past few years. People continued to want the dining experience, so they changed how they spent their money. In 2024, consumers are largely returning to normal habits although some behaviors have been permanently altered. The choice between looking for value and looking to splurge, a desire for personalization and the need for a seamless mobile ordering journey are all driving the restaurant industry as diner expectations and experiences continue to evolve.
- *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, EXECUTIVE OFFICERS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors, Executive Officers and Senior Management****Board of Directors**

Our Board of Directors currently consists of eleven members, seven 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 26, 2024, our shareholders re-elected Mr. Woods Staton, Mr. Alonso and Mr. Francisco Staton to serve as Class I directors.

The classes are currently composed as follows:

- 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 2027;
- 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; and
- Mr. Chu, Mr. Vélez, Mr. Fernández and Ms. Berman are Class III directors, whose term will expire at the annual meeting of shareholders to be held in 2026;

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	74
Marcelo Rabach	CEO	54
Sergio Alonso	Director	61
Annette Franqui	Director	62
Carlos Hernández-Artigas	Director	59
Michael Chu	Director	75
José Alberto Vélez	Director	74
José Fernández	Director	61
Francisco Staton	Divisional President – SLAD	43
Cristina Presz Palmaka De Luca	Director	56
Karla Berman	Director	44

The following is a brief summary of the business experience of our directors. Unless otherwise indicated, the current business addresses for our directors is Río Negro 1338, First Floor, Montevideo, Uruguay (CP 11100) 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 that has successfully promoted entrepreneurship. He is a member of the Latin America Advisory Board of Harvard Business School as well as the Institute for the Study of Business in Global Society (BIGS) at Harvard Business School and is also on the Supervisory Board of IMD Business School 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 was the Chief Operating Officer in Venezuela from 2005 until 2008. 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 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. Mr. Rabach graduated with a degree in Business Administration from Universidad Argentina de la Empresa in 2002 and earned an MBA from the IAE Business School.

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 and Chairman of the Audit Committee of Loma Negra Compañía Industrial Argentina S.A., a leading cement producer in Argentina. Mr. Alonso is also a Member of the Board of Directors at Universidad Austral in Argentina, where he also chairs the Audit and Finance Committee.

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 Forrester Capital and is a board member of many of its portfolio companies as well as of LatAm, LLC. She is the former Chairman of the Board of AARP on a volunteer basis, and in 2022 she was appointed as a member of the board of directors of OFG Bancorp.

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, Chairman of the Corporate Governance and Compensation Committee of Hospitales MAC 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 Colombia. Mr. Vélez is also a member of the Latin American Chapter of the Wilson Center in Washington D.C. In addition, Mr. Velez has been a member of the Board of Trustees of the "Fundacion Fraternidad" since 1998, a non-profit organization that grants college scholarships for students from rural areas in Colombia.

José Fernández. Mr. Fernández has been an independent member of our board of directors since October 1, 2013 and a member of the Audit Committee since December 2021. He was a member of the Compensation and Nomination Committee from December 2019 until March 2021. 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. In May 2022, Mr. Fernandez was appointed as a member of the board of directors of The Fresh Market, a non-public company headquartered in Greensboro, NC.

Francisco Staton. Mr. Francisco Staton has been a member of our board of directors since April 2018. Mr. Francisco Staton is President of the SLAD Division. Prior to his appointment as such in October 2021, he served as President of the Caribbean Division. Until 2019 he was 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, after holding different operating roles within the organization. Before joining the Arcos Dorados team, he 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 the board of directors of C&A and Eurofarma. 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.

Karla Berman Martin. Ms. Berman has been an independent member of our board of directors since 2023. Ms. Berman has an Industrial Engineering degree from Universidad Iberoamericana of Mexico City, Mexico, and has an MBA from Harvard Business School. Ms. Berman began her career in Mexico as a reporter for the newspaper Reforma in 2002. She then worked at McKinsey & Company in Mexico from 2003 until 2005. From 2006 until 2012 she joined Grupo Expansion (Time Inc.) as Digital Director. In 2012, Ms. Berman joined Google Mexico, working as head of branding solutions for Spanish Latam and held this role until 2015 and was a CPG Sales Director from 2016 to 2020. From 2020 until November 2021, Ms. Berman was VP of sales and Chief Marketing Officer for Yalo Mexico, and most recently she was a Director for Softbank in Mexico. Ms. Berman was a former board member of Mezcal Amarás and of the investment committee of IGNIA. She currently is a board member for Mendel, a board member for Endeavor Mexico and member of the Latin America Advisory Board for Harvard Business School. Ms. Berman is an angel investor, non-executive co-founder of NaranXadul.com, the largest Mommy blog in Mexico, and participates in the Mexican version of the TV show Shark Tank.

Executive Officers

Our executive officers are responsible for the overall management and representation of our company. All of our executive officers have worked in the food service industry for several 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
Woods Staton	Executive Chairman	2007	1986
Marcelo Rabach	Chief Executive Officer	2019	1990
Luis Raganato	Chief Operating Officer	2019	1991
Mariano Tannenbaum	Chief Financial Officer	2017	2008

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 Río Negro 1338, First Floor, Montevideo, Uruguay (CP 11100).

Luis Raganato. Mr. Raganato, 53, 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, 50, 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.

Senior Management

We have a strong centralized management team led by Mr. Woods Staton, our Executive Chairman, and Mr. Marcelo Rabach, our CEO, with broad experience in development, revenue, supply chain management, operations, finance, marketing, legal affairs, human resources, communications, sustainability, training, information and technology, among others. Our senior management team (which includes our executive officers) is responsible for the day-to-day management of our operations. Most of our senior management team has 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.

The following table lists our current senior management:

Name	Position	Initial Year of Appointment	At Arcos Dorados Since
Francisco Staton	Divisional President—SLAD	2021	2013
Rogério De Moraes Barreira	Divisional President—Brazil	2022	1984
Gustavo Pascualino	Divisional President—NOLAD	2021	1989
Juan David Bastidas	Chief Legal Counsel	2010	2010
Sebastian Magnasco	Vice President of Development	2007	1994
Santiago Blanco	Chief Marketing and Digital Officer	2019	2019
Luana Matos	Vice President of People and Culture	2023	2023
Karina Montiel	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	Chief Technology Officer	2021	1999
Daniel Schleinger	Vice President of Investor Relations	2015	2014
Gabriel Serber	Vice President of Social Impact and Sustainable Development	2021	1990

The following is a brief summary of the business experience of our senior management team who are not also executive officers. Unless otherwise indicated, the current business addresses for our senior management team is Roque Saenz Peña 432, Olivos, Buenos Aires, Argentina (B1636 FFB) and Río Negro 1338, First Floor, Montevideo, Uruguay (CP 11100).

Rogério Barreira. Mr. Barreira, 55, was appointed Divisional President for Brazil in July 2022. Prior to his appointment, Mr. Barreira served as Vice President of Operations for the Brazil Division. He also served as Divisional President for NOLAD, from October 2015 to March 2021. Mr. Barreira began his career at McDonald's Brazil in 1984, starting as a crew employee and steadily advancing into more senior operational roles in Brazil. Mr. Barreira holds an MBA from Fundação Getúlio Vargas in Brazil and also holds a degree in Marketing and Business Planning from Anhembi-Morumbi University in Brazil. Additionally, he received executive training from IAE Business School in Argentina and IPADE Business School in Mexico, Argentina and New York City.

Gustavo Pascualino. Mr. Pascualino, 55, 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.

Juan David Bastidas. Mr. Bastidas, 56, 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 Eléctrica S.A. E.S.P.–ISA from 1995 to 2010 before joining us in July 2010.

Sebastian Magnasco. Mr. Magnasco, 54, 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, 53, 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.

Luana Matos. Mrs. Matos, 50, was appointed as our Vice President of People and Culture on April 17, 2023. She has extensive experience in leading organizational transformations and has held several leadership roles in fast-paced industries throughout her 30-year career. Mrs. Matos rejoined Arcos Dorados in April 2023. Previously, she served as HR Director for International Markets at BRF, based in Dubai. Prior to that, she acted as HR Director for Arcos Dorados in Brazil, CHRO at Nextel Telecommunications, and held talent leadership positions at IBM Latin America, having started her career as a management consultant at PwC. She holds a degree in Economics from FAAP – Fundação Armando Álvares Penteado, an MBA in Communications from ESPM and specialization in HR from the London Business School.

Marlene Fernandez. Mrs. Fernandez, 62, is Corporate Vice President for Government Relations and Leader of the Diversity and Inclusion Committee. 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, 45, 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 Libero Foundation, also in São Paulo, Brazil.

Daniel Schleiniger. Mr. Schleiniger, 50, 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, 52, 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 Martín in Buenos Aires, Argentina and has completed post graduate studies at the IAE Business School.

Karina Montiel. Mrs. Montiel, 51, 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. She is also the President of the Asociación Casa Ronald in Uruguay. 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, 49, 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 2023, 60,424 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 2019 are fully vested. Both types of these recurring annual awards vested 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 its 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, 2023:

Date of the grant	Restricted share units
May 10, 2016	0
May 10, 2017	0
May 10, 2018	0

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 share 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 of the year after the grant day.

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, 2023 and 2022, relating to the Phantom RSUs amounted to \$15.6 million and \$7.4 million, respectively, and is recorded under "General and administrative expenses" within the consolidated statement of income (loss). 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, 2023:

<u>Date of the grant</u>	<u>Phantom RSU, Type 1</u>	<u>Phantom RSU, Type 2</u>	<u>Phantom RSU, Type 3</u>	<u>Phantom RSU, Type 4</u>
May 10, 2019	57,550	885,827	—	—
May 10, 2021	—	—	692,422	—
May 10, 2022	—	—	795,013	—
May 10, 2023	—	—	736,776	32,599

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 and senior management team in 2023, was \$16.6 million. The approximate annual total cash compensation for our directors in 2023 was \$1.1 million. We also issued an aggregate of 32,599 Phantom RSUs to our directors in 2023.

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. José Fernández, 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. Fernández 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 deemed 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, 2023, we had a total of approximately 100,795 employees in Company-operated restaurants and staff throughout the Territories. Of this number, 84% were crew, 11% were restaurant managers and the remainder were professional staff. Approximately 40% 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. A portion of our employees in Brazil, in particular part-time employees, students and apprentices, 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, 2023.

Division	Crew	Restaurant Managers	Professional Staff	Total
Brazil	33,889	3,586	2,914	40,389
NOLAD	18,359	3,098	657	22,114
SLAD	32,738	4,074	1,045	37,857
Corporate and other	0	0	435	435
Total	84,986	10,758	5,051	100,795

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 2023, approximately 201,165 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. 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, officers and senior management as of the date of this annual report. Other than those persons listed below, none of our directors, officers or senior management 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 ⁽²⁾
Los Laureles Ltd. ⁽³⁾⁽⁴⁾	—	—	80,000,000	100.00 %	37.98 %	75.38 %
Woods Staton ⁽⁴⁾	50	*	—	—	*	*
Sergio Alonso	*	*	—	—	*	*
Annette Franqui	*	*	—	—	*	*
Carlos Hernández-Artigas	*	*	—	—	*	*
Michael Chu	*	*	—	—	*	*
José Alberto Vélez	*	*	—	—	*	*
Cristina Presz Palmaka De Luca	*	*	—	—	*	*
Karla Berman	*	*	—	—	*	*
Juan David Bastidas	*	*	—	—	*	*
Karina Montiel	*	*	—	—	*	*
José Fernández	*	*	—	—	*	*
Marcelo Rabach	*	*	—	—	*	*
Mariano Tannenbaum	*	*	—	—	*	*
Sebastian Magnasco	*	*	—	—	*	*
Luana Matos	*	*	—	—	*	*
Marlene Fernandez	*	*	—	—	*	*
Luis Raganato	*	*	—	—	*	*
Gustavo Pascualino	*	*	—	—	*	*
Rogério De Moraes Barreira	*	*	—	—	*	*
Santiago Blanco	*	*	—	—	*	*
David Grinberg	*	*	—	—	*	*
Francisco Staton	*	*	—	—	*	*
Magdalena Gonzalez Victorica	*	*	—	—	*	*
Daniel Schleiniger	*	*	—	—	*	*
Gabriel Serber	*	*	—	—	*	*

* Each of these directors, officers or senior management members beneficially owns less than 1% of the total number of outstanding class A shares.

(1) Percentages are based on 130,654,969 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 directly, and indirectly through Chablais Investments S.A. ("Chablais"). On a combined basis, Mr. Woods Staton is the beneficial owner of an aggregate of 37.98% of the total economic interests of Arcos Dorados and 75.38% 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.

As of the date of this annual report, our officers and senior management had been granted (i) a total of 874,481 restricted share units pursuant to the 2011 Plan, excluding our Chairman Mr. Woods Staton. 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 37.98% of our issued and outstanding share capital, and 75.38% 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
Los Laureles Ltd. ⁽³⁾⁽⁴⁾	—	—	80,000,000	100.0 %	37.98 %	75.38
Woods Staton ⁽⁴⁾	50	—	—	—	—	—
TIAA Board of Overseers ⁽⁵⁾	15,822,239	12.11 %	—	—	7.51 %	2.98
FIL Ltd. ⁽⁶⁾	7,801,467	5.97 %	—	—	3.70 %	1.47
Remaining Public Shareholders	107,031,213	81.92 %	—	—	50.81 %	20.17
Total⁽⁷⁾⁽⁸⁾	130,654,969	100.00%	80,000,000	100.00 %	100.00 %	100.00

(1) Percentages are based on 130,654,969 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 directly, and indirectly through Chablais Investments S.A. (“Chablais”). On a combined basis, Mr. Woods Staton is the beneficial owner of an aggregate of 37.98% of the total economic interests of Arcos Dorados and 75.38% 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 three funds, which filed Form 13F with the SEC on December 31, 2023: Nuveen Asset Management LLC, Teachers Advisors, LLC and TIAA-CREF Investment Management LLC. Based solely on the disclosure set forth in such Form 13F, as of December 31, 2023, these two funds together had sole voting power with respect to 15,822,239 class A shares and sole dispositive power with respect to 15,822,239 class A shares. The address of TIAA Board of Overseers is 730 Third Avenue, New York, NY 10017-3206.

(6) FIL Ltd. is the ultimate parent of two funds, which filed Form 13F with the SEC on December 31, 2023: FIL Investments International and FIL Investment Advisors (UK) Ltd. Based solely on the disclosure set forth in such Form 13F, as of December 31, 2023, these four funds together had sole voting power with respect to 7,801,467 class A shares and sole dispositive power with respect to 7,801,467 class A shares. The address of FIL Ltd. is Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, HM19.

(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, 2024, there were 8 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 37.98% of the economic interests of Arcos Dorados and 75.38% 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, Mexico, Uruguay, Peru, Venezuela and Ecuador. During 2021, Axionlog began providing logistics and transportation services in Martinique, French Guiana, Guadeloupe, Aruba and Curaçao. In late 2022, Axionlog services were also added to Saint Thomas and Saint Croix. 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 2023, we incurred \$65.3 million in total distribution fees payable to Axionlog, which accounted for approximately 4.5% of our total food and paper costs.

See Note 24 to our consolidated financial statements for details of the outstanding balances and transactions with related parties as of December 31, 2023 and 2022 and for the fiscal years ended December 31, 2023, 2022 and 2021.

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 in most joint ventures the Company exercises control or 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

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 Brasília. 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 Brasília (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 the Regional Labor Court denied all the appeals. Against this decision, labor prosecutor and labor union appealed to the Superior Labor Court but those appeals were rejected due to non-compliance with legal requirements. Against this decision, labor prosecutor and labor union presented a new appeal to the Superior Labor Court that is still pending.

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. On March 24, 2023, the Labor Prosecutor's Office requested that we present evidence of compliance with the obligations negotiated on TAC and Arcos presented it in April 2023. The Labor Prosecutor requested an expert to verify compliance with the TAC and said expert requested additional information and documents from us, which the last requested documents/information were presented in January and March, 2024. This matter is currently awaiting a resolution from the Labor Prosecutor.

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 complaint 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 attended hearings with the Labor Prosecutor and presented our comments on the Labor Prosecutor's settlement proposal. At the end of December 2022, the Labor Prosecutor did not agree with our comments and presented a recommendation, which contains a list of procedures to be adopted by Arcos. Additionally, the Labor Public Prosecutor determined that Arcos must prove the adoption of those procedures by the end of March 2023. On March 20, 2023, we presented documentation (e.g., presentations, trainings, Company policies, evidence of communications with employees, internal procedures of hotline investigations, among others) to the Labor Prosecutor to evidence that we are improving our internal procedures and trainings in compliance with all the obligations established in the recommendation. The Labor Prosecutor decided to suspend the procedure for the next six months, due to Arcos' collaborative behavior and the documents that evidenced the Company is in compliance with the recommendation. In addition, the Labor Prosecutor determined and Arcos evidenced, in October 2023, the adoption of procedures that were implemented as we indicated in our petition. At this moment, the Labor Public Prosecutor asked UGT to provide its comments regarding Arcos's petition. We are waiting for UGT's comments. 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.

Brazilian Federal Custom Authorities Infraction Notices

As of August 2021, Arcos Dourados Comércio de Alimentos S.A. (our Brazilian "Subsidiary") became aware of 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 2017, 2018 and 2019. 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.

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, 2023 we maintained a provision for contingencies amounting to \$59.2 million (\$52.7 million as of December 31, 2022) and judicial deposits amounting to \$8.6 million (\$7.9 million as of December 31, 2022) in connection with the proceedings. As of December 31, 2023, the net amount of \$50.6 million included \$49.2 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, 2023, the provision for contingencies included \$1.5 million (\$1.3 million as of December 31, 2022) 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, 2023, there are certain matters related to the interpretation of income tax laws which could be challenged by tax authorities in an amount of \$250 million, related to assessments for the fiscal years 2009 to 2017. 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.

In addition, there are certain matters related to the interpretation of other tax, customs (including the alleged infraction mentioned above), labor and civil laws for which there is a reasonable possibility that a loss may have been incurred in accordance with ASC 450-20-50-4 in a range of \$511 million and \$576 million. In accordance with ASC 405-20-50-6, unasserted claims or assessments that do not meet the conditions mentioned have not been included.

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.

Holders of common shares will be entitled to receive dividends, if any, paid on the common shares. In 2023, our Board of Directors declared a cash dividend of \$0.19 per share to all class A and B shareholder of the Company, paid in three quarterly installments of \$0.05 per share on March 30, 2023, June 28, 2023 and September 28, 2023 and one quarterly installment of \$0.04 per share on December 27, 2023. On March 12, 2024, the Board of Directors announced a \$0.24 per share dividend to all class A and B shareholders of the Company to be paid in four quarterly installments of \$0.06 per share on March 28, 2024, June 28, 2024, September 27, 2024 and December 27, 2024.

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, 2023.

ITEM 9. THE OFFER AND LISTING

A. Offer 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 BVI business company limited by shares incorporated in the British Virgin Islands 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, 130,654,969 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 of 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), a list of the names of the company's directors 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 forms 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 Dorados 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 which resulted in an effective royalty rate of 5.6% and 6.0% of sales in 2022 and 2023, and is expected to result in an effective royalty rate of about 6.0% of sales in 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. 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, currency devaluation and cross-border money transfer controls and restrictions in certain countries in which we operate, which could affect our ability to move our cash flow and pay dividends out from those countries," and "—Risks Related to Our Business and Operations—Our business activity and results of operations may be negatively affected by unforeseen events, such as disruptions, natural disasters, adverse weather conditions, war, such as the Russia-Ukraine war and the conflict in the Middle East, pandemics, such as the COVID-19 pandemic, or other catastrophic events, such as hurricanes, earthquakes and floods."

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 reimagining 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, 2023, we had more than 100 restaurants in operation in each of Brazil, Mexico and Argentina. In Chile and Puerto Rico, we had 97 and 95 restaurants in operation, respectively, 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 was not required to comply with the financial ratios set forth in the MFA.

Arcos Dorados Financial Ratios under the MFA

	Quarter ended				
	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Leverage Ratio	3.42	3.35	3.30	3.24	3.22
Fixed Charge Coverage Ratio	1.85	1.91	2.11	2.11	2.16

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 August 2, 2027, 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—Our business activity and results of operations may be negatively affected by unforeseen events, such as disruptions, natural disasters, adverse weather conditions, war, such as the Russia-Ukraine war and the conflict in the Middle East, pandemics, such as the COVID-19 pandemic, or other catastrophic events, such as hurricanes, earthquakes and floods."

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 the Company with JPMorgan and by Arcos Dorados B.V. with Itaú Unibanco S.A., Nassau Branch, 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, Mexico and Chile, 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 August 2022) 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 2023 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.

J. Annual Report to Security Holders

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 2023

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 *real* against the U.S. dollar would result in a net foreign exchange loss totaling \$7.8 million over (i) U.S. dollar-denominated intercompany loans held by our Brazilian subsidiary partially offset by derivatives of \$83 million, (ii) the Brazilian *real*-denominated intercompany payable held by our subsidiary Arcos Dorados B.V. and Latam LLC of R\$6.2 million, (iii) the Brazilian *real*-denominated intercompany receivable held by our subsidiaries, Arcos Dorados Development B.V. and LatAm LLC of R\$6.2 million, and (iv) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of \$3.1 million as of December 31, 2023.

An appreciation of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of \$8.4 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of \$77.2 million as of December 31, 2023.

An appreciation of 10% in the value of the Costa Rican *colon* against the U.S. dollar would result in a foreign exchange loss of \$6.5 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Costa Rica of \$58.6 million as of December 31, 2023.

An appreciation of 10% in the value of the Uruguayan *peso* against the U.S. dollar would result in a foreign exchange loss of \$3.2 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiaries in Uruguay of \$29 million as of December 31, 2023.

An appreciation of 10% in the value of the Mexican *peso* against the U.S. dollar would result in a foreign exchange loss of \$1.7 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiaries in Mexico of \$16.7 million as of December 31, 2023.

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, 2023 since there are no other significant intercompany balances exposed to foreign exchange risk.

Summary of Foreign Currency Exchange Rate Risk in 2022

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 *real* against the U.S. dollar would result in a net foreign exchange loss totaling \$12.8 million over (i) U.S. dollar-denominated intercompany loans held by our Brazilian subsidiary partially offset by derivatives of \$101.8 million, (ii) the Brazilian *real*-denominated intercompany receivable held by our subsidiary Arcos Dorados B.V. and Brazilian subsidiaries of R\$203.5 million (including accrued interest), (iii) the Brazilian *real*-denominated intercompany payable held by our subsidiaries, Arcos Dorados B.V. and LatAm LLC (R\$6.2 million), (iv) the outstanding balance of the U.S. dollar-denominated intercompany net debt held by our Brazilian subsidiaries of \$1.9 million as of December 31, 2022.

An appreciation of 10% in the value of the European euro against the U.S. dollar would result in a foreign exchange loss of \$7.4 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Martinique of \$66.8 million as of December 31, 2022.

An appreciation of 10% in the value of the Costa Rican *colon* against the U.S. dollar would result in a foreign exchange loss of \$5.7 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiary in Costa Rica of \$52.2 million as of December 31, 2022.

An appreciation of 10% in the value of the Mexican *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 receivable held by our subsidiaries in Mexico of \$36.4 million as of December 31, 2022.

An appreciation of 10% in the value of the Uruguayan *peso* against the U.S. dollar would result in a foreign exchange loss of \$3.6 million mainly related to the outstanding U.S. dollar-denominated intercompany receivable held by our subsidiaries in Uruguay of \$33.1 million as of December 31, 2022.

An appreciation of 10% in the value of the Argentine peso against the U.S. dollar would result in a foreign exchange loss of \$1.3 million mainly related to the Argentine peso-denominated intercompany payable held by our subsidiary LatAm LLC (ARS\$2,126.3 million), as of December 31, 2022.

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, 2022 since there are no other significant intercompany balances exposed to foreign exchange risk.

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, 2023, 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, 2023 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, 2023, based on the guidelines set forth by the COSO.

Based on this assessment, management believes that, as of December 31, 2023, its internal control over financial reporting was effective based on those criteria.

C. Attestation Report of the Registered Public Accounting Firm

Pistrelli, Henry Martin y Asociados S.R.L., member firm of Ernst & Young Global Limited, independent registered public accounting firm, has audited and reported on the effectiveness of our internal controls over financial reporting as of December 31, 2023, 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, 2023, 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, 2023, 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, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements") and our report dated March 13, 2024 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 Limited

Buenos Aires, Argentina
March 13, 2024

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 2023 and 2022.

	2023		2022	
	(in thousands of U.S. dollars)			
Audit fees	\$	2,574	\$	2,545
Audit-related fees		10		46
Tax fees		440		448
All other fees		48		51

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 2023 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 2022 and 2023, 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 eleven members, seven 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.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16J. INSIDER TRADING POLICIES

Not applicable.

ITEM 16K. CYBERSECURITY

Cybersecurity Risk Management

Our cybersecurity risk management program is designed to align with industry best practices and provides a framework for handling cybersecurity threats and incidents, including threats and incidents associated with the use of technology and technology services provided by third-party service providers, and facilitate coordination across different departments of our company. This framework is aligned with the five core functions of the National Institute of Standards and Technology's Cybersecurity Framework: Identify, Protect, Detect, Respond, and Recover. Each function contains categories, further broken down into subcategories, providing a structured approach to managing cyber risks and enabling us to identify and prioritize specific areas for improvement based on identified risks, measure and track progress in improving our cybersecurity posture over time and communicate and collaborate effectively with respect to cybersecurity risks and controls across the organization. Our cybersecurity team also engages third-party security experts for risk assessment, consultancy and system enhancements. We include minimum cybersecurity requirements in our contracts with vendors and we have a process in place to periodically assess cybersecurity capabilities of critical IT vendors. In addition, our cybersecurity team provides training to all employees on a regular basis.

Cybersecurity Governance

Cybersecurity risk management is integrated to our overall enterprise risk management program. Our board of directors has overall oversight responsibility for our risk management, and delegates cybersecurity risk management oversight to the audit committee of the board of directors. The audit committee is responsible for ensuring that management has processes in place designed to identify and evaluate cybersecurity risks to which the company is exposed and implement processes and programs to manage cybersecurity risks and mitigate cybersecurity incidents. The audit committee also reports material cybersecurity risks to our full board of directors. Management is responsible for identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risk exposures are monitored, putting in place appropriate mitigation measures and maintaining cybersecurity programs. Our cybersecurity programs are under the direction of our Chief Technology Officer (CTO) who receives reports from our Cybersecurity Director and our cybersecurity team and monitor the prevention, detection, mitigation, and remediation of cybersecurity incidents. Our Cybersecurity Director has 20 years of experience in the information security and IT audit fields and holds a Certified Information Systems Security Professional (CISSP) certification from The International Information System Security Certification Consortium (ISC2). Management, including the CTO and the Cybersecurity Director, regularly update the audit committee on the company's cybersecurity programs, material cybersecurity risks and mitigation strategies and provide cybersecurity

reports semi-annually that cover, among other topics, third-party assessments of the company's cybersecurity programs, developments in cybersecurity and updates to the company's cybersecurity programs and mitigation strategies.

In 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, please see "Risk Factors—Information technology system failures or interruptions or breaches of our network security may interrupt our operations, exposing us to increased operating costs, fraud, data protection incidents and litigation" in this annual report on Form 20-F.

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 à Luxembourg, Société Anonyme, as Luxembourg paying agent, incorporated herein by reference to Exhibit 2.3 to the Company's Annual Report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022.
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	Amendment to Letter of Credit Reimbursement Agreement dated October 30, 2015 between Arcos Dorados B.V. and Credit Suisse AG, Cayman Islands Branch, incorporated herein by reference to Exhibit 4.12 to the Company's Annual Report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022.
4.13	Fifth Amendment to Letter of Credit Reimbursement Agreement dated July 20, 2022 between Arcos Dorados B.V. and Credit Suisse AG, Cayman Islands Branch, incorporated herein by reference to Exhibit 4.13 to the Company's Annual Report on Form 20-F for the year ended December 31, 2022 filed with the SEC on April 28, 2023.
4.14	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.
4.15	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.
4.16	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.
4.17	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.
4.18	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.
4.19	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.
4.20	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.
4.21	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.
4.22	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.
4.23	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.

Exhibit No.	Description
4.24	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.
4.25	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.
4.26*	Revolving Credit Facility dated April 15, 2024 by and between Arcos Dorados B.V., as borrower, Arcos Dorados Comércio de Alimentos S.A., as guarantor, and Itaú Unibanco S.A., Nassau Branch, as lender.
4.27	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.
4.28	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.
4.29	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.
4.30	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, incorporated herein by reference to Exhibit 4.28 to the Company's Annual Report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022.
4.31	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.
4.32	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.
4.33	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, incorporated herein by reference to Exhibit 4.31 to the Company's Annual Report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022.
4.34	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, incorporated herein by reference to Exhibit 4.32 to the Company's Annual Report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022.
4.35	Third Amendment, dated as of December 12, 2022, 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, incorporated herein by reference to Exhibit 4.34 to the Company's Annual Report on Form 20-F for the year ended December 31, 2022 filed with the SEC on April 28, 2023.
4.36*	Fourth Amendment, dated as February 15, 2024, 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.
4.37	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, incorporated herein by reference to Exhibit 4.33 to the Company's Annual Report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022.

Exhibit No.	Description
4.38	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, incorporated herein by reference to Exhibit 4.34 to the Company's Annual Report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022.
4.39	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., incorporated herein by reference to Exhibit 4.35 to the Company's Annual Report on Form 20-F for the year ended December 31, 2021 filed with the SEC on April 29, 2022.
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 Limited, independent registered public accounting firm.
97.1*	Arcos Dorados Holdings Inc. Compensation Recoupment Policy
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, 2024

Arcos Dorados Holdings Inc.

Consolidated Financial Statements

As of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023

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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 sheet of Arcos Dorados Holdings Inc. (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, 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, 2023, 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 13, 2024, 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 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, 2023, the carrying amount of long-lived assets is thousands of \$2,144,475, including Property and equipment, net; Lease right of use asset; and Net intangible assets and goodwill. As a result of its impairment assessment exercise, the Company recorded a loss of thousands of \$2,626, during 2023.

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, 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 related disclosures in note 3 to the consolidated financial statements.

<i>Description of the Matter</i>	<i>Tax and labor contingencies</i> The Company has operations in Brazil representing 39.3% of the revenues of the group for the year ended December 31, 2023 and maintains a provision for tax and labor contingencies in that country that represents a 88% of the provision for contingencies balance of the group as of December 31, 2023. 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.
<i>How We Addressed the Matter in Our Audit</i>	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. 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 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 Limited
We have served as the Company's auditor since 2007.

Buenos Aires, Argentina
March 13, 2024

Arcos Dorados Holdings Inc.

Consolidated Statements of Income

For the fiscal years ended December 31, 2023, 2022 and 2021

Amounts in thousands of US dollars, except for share data and as otherwise indicated

REVENUES	2023	2022	2021
Sales by Company-operated restaurants	\$ 4,137,675	\$ 3,457,491	\$ 2,543,907
Revenues from franchised restaurants	194,203	161,411	116,034
Total revenues	4,331,878	3,618,902	2,659,941
OPERATING COSTS AND EXPENSES			
Company-operated restaurant expenses:			
Food and paper	(1,457,720)	(1,227,293)	(899,077)
Payroll and employee benefits	(790,042)	(668,764)	(482,608)
Occupancy and other operating expenses	(1,154,334)	(967,690)	(772,169)
Royalty fees	(249,278)	(194,522)	(131,401)
Franchised restaurants – occupancy expenses	(83,359)	(68,028)	(50,627)
General and administrative expenses	(285,000)	(239,263)	(210,909)
Other operating income, net	1,894	11,080	26,369
Total operating costs and expenses	(4,017,839)	(3,354,480)	(2,520,422)
Operating income	314,039	264,422	139,519
Net interest expense and other financing results	(32,275)	(43,750)	(49,546)
Loss from derivative instruments	(13,183)	(10,490)	(5,183)
Foreign currency exchange results	10,774	16,501	(9,189)
Other non-operating (expenses) income, net	(1,238)	(287)	2,185
Income before income taxes	278,117	226,396	77,786
Income tax expense, net	(95,702)	(85,476)	(31,933)
Net income	182,415	140,920	45,853
Less: Net income attributable to non-controlling interests	(1,141)	(577)	(367)
Net income attributable to Arcos Dorados Holdings Inc.	\$ 181,274	\$ 140,343	\$ 45,486
Earnings per share information:			
Basic net income per common share attributable to Arcos Dorados Holdings Inc.	\$ 0.86	\$ 0.67	\$ 0.22
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.	0.86	0.67	0.22

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.
Consolidated Statements of Comprehensive Income
For the fiscal years ended December 31, 2023, 2022 and 2021
Amounts in thousands of US dollars

	2023	2022	2021
Net income	\$ 182,415	\$ 140,920	\$ 45,853
Other comprehensive income (loss), net of tax:			
Foreign currency translation	53,740	16,050	(37,372)
Post-employment (expenses) benefits:			
(Loss) gain recognized in accumulated other comprehensive loss	(518)	236	(190)
Reclassification of net loss to consolidated statement of income	82	90	152
Post-employment (expenses) benefits (net of deferred income taxes of \$225, \$(197) and \$21)	(436)	326	(38)
Cash flow hedges:			
Net (loss) gain recognized in accumulated other comprehensive loss	(17,393)	(26,255)	19,698
Reclassification of net loss (gain) to consolidated statement of income	15,124	7,669	(5,301)
Cash flow hedges (net of deferred income taxes of \$896, \$3,038 and \$(2,332))	(2,269)	(18,586)	14,397
Securities available for sale:			
Unrealized loss on available for sale securities (net of deferred income taxes of \$577 and \$nil)	(1,780)	(3,624)	—
Reclassification of net loss to consolidated statement of income	1,119	—	—
Securities available for sale	(661)	(3,624)	—
Total other comprehensive income (loss)	50,374	(5,834)	(23,013)
Comprehensive income	232,789	135,086	22,840
Less: Comprehensive income attributable to non-controlling interests	(1,136)	(435)	(262)
Comprehensive income attributable to Arcos Dorados Holdings Inc.	\$ 231,653	\$ 134,651	\$ 22,578

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Balance Sheet

As of December 31, 2023 and 2022

Amounts in thousands of US dollars, except for share data and as otherwise indicated

ASSETS	2023	2022
Current assets		
Cash and cash equivalents	\$ 196,661	\$ 266,937
Short-term investments	50,106	37,459
Accounts and notes receivable, net	147,980	124,273
Other receivables	38,719	26,790
Inventories	52,830	50,088
Prepaid expenses and other current assets	118,982	119,995
Derivative instruments	—	58,821
Total current assets	605,278	684,363
Non-current assets		
Miscellaneous	104,225	81,662
Collateral deposits	2,500	2,500
Property and equipment, net	1,119,885	856,085
Net intangible assets and goodwill	70,026	54,569
Deferred income taxes	98,163	87,972
Derivative instruments	46,486	34,088
Equity method investments	18,111	14,708
Lease right of use asset	954,564	820,683
Total non-current assets	2,413,960	1,952,267
Total assets	\$ 3,019,238	\$ 2,636,630
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 374,986	\$ 353,468
Royalties payable to McDonald's Corporation	21,292	21,280
Income taxes payable	77,722	65,311
Other taxes payable	85,421	81,371
Accrued payroll and other liabilities	142,487	115,327
Provision for contingencies	1,447	2,272
Interest payable	7,447	7,906
Short-term debt	29,533	318
Current portion of long-term debt	1,803	19,033
Derivative instruments	6,025	10,215
Operating lease liabilities	93,507	82,911
Total current liabilities	841,670	759,412
Non-current liabilities		
Accrued payroll and other liabilities	27,513	28,781
Provision for contingencies	49,172	42,567
Long-term debt, excluding current portion	713,038	711,671
Derivative instruments	16,733	18,167
Deferred income taxes	1,166	3,931
Operating lease liabilities	853,107	747,674
Total non-current liabilities	1,660,729	1,552,791
Total liabilities	\$ 2,502,399	\$ 2,312,203
Equity		
Class A shares of common stock	\$ 389,907	\$ 389,393
Class B shares of common stock	132,915	132,915
Additional paid-in capital	8,719	9,206
Retained earnings	566,188	424,936
Accumulated other comprehensive loss	(563,081)	(613,460)
Common stock in treasury	(19,367)	(19,367)
Total Arcos Dorados Holdings Inc. shareholders' equity	515,281	323,623
Non-controlling interests in subsidiaries	1,558	804
Total equity	516,839	324,427
Total liabilities and equity	\$ 3,019,238	\$ 2,636,630

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.
Consolidated Statements of Cash Flows
For the fiscal years ended December 31, 2023, 2022 and 2021
Amounts in thousands of US dollars

	2023	2022	2021
Operating activities			
Net income attributable to Arcos Dorados Holdings Inc.	\$ 181,274	\$ 140,343	\$ 45,486
Adjustments to reconcile net income attributable to Arcos Dorados Holdings Inc. to cash provided by operating activities:			
Non-cash charges and credits:			
Depreciation and amortization	149,268	119,777	120,394
Loss from derivative instruments	13,183	10,490	5,183
Amortization and accrual of letter of credit fees and deferred financing costs	4,268	5,342	4,247
Deferred income taxes	(4,310)	(15,449)	(16,066)
Foreign currency exchange results	3,162	(6,940)	4,031
Accrued net share-based compensation expense	14,337	6,089	758
Impairment of long-lived assets	2,626	1,171	1,573
Write-off of long-lived assets	8,401	3,143	3,095
Gain on sale and exchange of restaurants businesses	(4,008)	(577)	—
Gain on contribution of businesses in equity method investment	—	—	(8,501)
Others, net	(8,853)	(2,268)	5,279
Changes in assets and liabilities:			
Accounts payable	70,003	111,958	78,201
Accounts and notes receivable and other receivables	(61,244)	(56,790)	(4,689)
Inventories, prepaid expenses and other assets	(35,682)	(33,173)	(38,655)
Income taxes payable	7,755	18,637	41,530
Other taxes payable	25,452	8,874	14,211
Accrued payroll, other liabilities and provision for contingencies	17,272	32,873	29,992
Royalties payable to McDonald's Corporation	(719)	5,457	(27,167)
Others	(220)	(3,520)	(858)
Net cash provided by operating activities	381,965	345,437	258,044
Investing activities			
Property and equipment expenditures	(360,097)	(217,115)	(114,999)
Purchases of restaurant businesses paid at acquisition date	(2,081)	(4,800)	(185)
Proceeds from sales of property and equipment, restaurant businesses and related advances	2,540	2,714	1,987
Proceeds from short-term investments	66,735	—	—
Acquisitions of short-term investments	(86,719)	(41,083)	—
Other investing activity	(727)	635	4,918
Net cash used in investing activities	(380,349)	(259,649)	(108,279)
Financing activities			
Net collection of derivative instruments	30,165	—	23,240
Issuance of 2029 Notes	—	349,969	—
Open Market Repurchases of 2029 Senior Notes	(2,813)	(12,014)	—
Cash Tender & Open Market Repurchases of 2027 Senior Notes	(1,904)	(159,034)	(18,364)
Settlement at maturity, Cash Tender, Partial Redemption & Open Market Repurchases of 2023 Senior Notes	(18,224)	(192,380)	(16,231)
Dividend payments to Arcos Dorados Holdings Inc. shareholders	(40,022)	(31,587)	(21)
Net short-term borrowings	29,384	359	—
Net payments of derivative premiums	(2,581)	—	—
Payments of other long term debt	(800)	(8,327)	(2,573)
Other financing activities	(5,028)	(6,964)	(3,977)
Net cash used in financing activities	(11,823)	(59,978)	(17,926)
Effect of exchange rate changes on cash and cash equivalents	(60,069)	(37,703)	(18,998)
(Decrease) increase in cash and cash equivalents	(70,276)	(11,893)	112,841
Cash and cash equivalents at the beginning of the year	266,937	278,830	165,989
Cash and cash equivalents at the end of the year	\$ 196,661	\$ 266,937	\$ 278,830

Arcos Dorados Holdings Inc.
Consolidated Statements of Cash Flows
For the fiscal years ended December 31, 2023, 2022 and 2021
Amounts in thousands of US dollars

	2023	2022	2021
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	\$ 47,510	\$ 56,370	\$ 52,578
Income tax	72,766	78,935	34,543
Non-cash investing and financing activities:			
Exchange of assets	\$ 3,538	\$ —	\$ —
Stock dividend distribution to Arcos Dorados Holdings Inc.' Shareholders, at cost	—	—	20,180
Seller financing pending of payment and settlement of franchise receivables related to purchases of restaurant businesses	1,700	816	—
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, 2023, 2022 and 2021

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, 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
Net income for the year	—	—	—	—	—	140,343	—	—	—	140,343	577	140,920
Other comprehensive loss	—	—	—	—	—	—	(5,692)	—	—	(5,692)	(142)	(5,834)
Cash Dividends to Arcos Dorados Holdings Inc.'s shareholders (\$0.15 per share)	—	—	—	—	—	(31,587)	—	—	—	(31,587)	—	(31,587)
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	116,223	1,024	—	—	(1,024)	—	—	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	129	—	—	—	—	129	—	129
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(363)	(363)
Balances at December 31, 2022	132,903,607	\$ 389,393	80,000,000	\$ 132,915	\$ 9,206	\$ 424,936	\$ (613,460)	(2,309,062)	\$ (19,367)	\$ 323,623	\$ 804	\$ 324,427
Net income for the year	—	—	—	—	—	181,274	—	—	—	181,274	1,141	182,415
Other comprehensive income	—	—	—	—	—	—	50,379	—	—	50,379	(5)	50,374
Cash Dividends to Arcos Dorados Holdings Inc.'s shareholders (\$0.19 per share)	—	—	—	—	—	(40,022)	—	—	—	(40,022)	—	(40,022)
Issuance of shares in connection with the partial vesting of outstanding restricted share units under the 2011 Equity Incentive Plan	60,424	514	—	—	(514)	—	—	—	—	—	—	—
Stock-based compensation related to the 2011 Equity Incentive Plan	—	—	—	—	27	—	—	—	—	27	—	27
Dividends to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(382)	(382)
Balances at December 31, 2023	132,964,031	\$ 389,907	80,000,000	\$ 132,915	\$ 8,719	\$ 566,188	\$ (563,081)	(2,309,062)	\$ (19,367)	\$ 515,281	\$ 1,558	\$ 516,839

See Notes to the Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
Amounts in thousands of US dollars, except for share data and as otherwise indicated

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 Guiana, 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 Guiana, 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).

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.

Arcos Dorados Holdings Inc.

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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.

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). 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 for certain services and goods, (iii) approvals required from 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 and dividends. Furthermore, Venezuela has currency restrictions which 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. Additionally, the Venezuelan market is subject to price controls. Its 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, 2023.

As of December 31, 2023, Argentina's and Venezuela's net nonmonetary asset positions were \$157.4 million and \$17.2 million, respectively, mainly fixed assets.

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.

Short-term investments

Short-term investments consist of time deposits, available for sale securities and held to maturity securities with an original maturity of more than three months. Time deposits are measured at cost plus accrued interest. These charges are recognized immediately in earnings, within "Net interest expense and other financing results".

Available for sale securities are measured at fair value. Unrealized results are reported in other comprehensive income (loss) until realized. See Note 22 for additional information. Held to maturity securities are measured at amortized cost and bear interest.

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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 remote risks of loss by analyzing multiple factors such as historical bad debt experience, the aging of the receivables, the current economic environment and future economic conditions.

Other receivables

As of December 31, 2023, other receivables primarily consist of value-added tax and other tax receivables, related party receivables and insurance claim receivables, amounting to \$21,172. As of December 31, 2022, other receivables primarily consist of value-added tax and other tax receivables, related party receivables and insurance claim receivables, amounting to \$16,608.

Other receivables are reported at the amount expected to be collected.

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 reimagining 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.

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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.

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) 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 2023, 2022 and 2021. 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: Aruba, Peru, USVI, Venezuela, Cu ração, Colombia and Trinidad and Tobago, for the fiscal years ended December 31, 2023; Aruba, Peru, USVI, Venezuela and Trinidad and Tobago, for the fiscal years ended December 31, 2022; Mexico, Aruba, Cu ração, Peru, USVI, Venezuela, Trinidad and Tobago, Colombia and Argentina for the fiscal years ended December 31, 2021.

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As a result of the impairment testing the Company recorded the following impairment charges, for the markets indicated below, within Other operating income, net on the consolidated statements of income:

Fiscal year	Markets	Total
2023	Trinidad & Tobago, Aruba, Colombia, Venezuela and Peru	\$ 2,626
2022	Aruba, USVI, Peru and Venezuela	1,171
2021	Mexico, USVI, Peru, Colombia, Venezuela and Argentina	1,573

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.

During the fiscal years 2023, 2022 and 2021 the Company has not recorded any impairment charges.

Advertising costs

Advertising costs are expensed as incurred. Advertising expenses related to Company-operated restaurants were \$175,043, \$148,776 and \$104,010 in 2023, 2022 and 2021, 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 \$51,054, \$44,088 and \$32,809 in 2023, 2022 and 2021, 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.

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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.

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 from 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. These obligations require payment in full within 180 days of the invoice date. As of December 31, 2023 and 2022, \$13,650 and \$24,149, respectively, of the Company's total accounts payable (included within "Accounts payable" in the Balance Sheet) are available for this purpose.

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 other comprehensive income (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. For those instruments that qualifies for hedge accounting, the Company documents its risk management objective and strategy for undertaking hedging transactions, as well as all relationships between hedging instruments and hedged items. See Note 13 for details of the outstanding derivative instruments.

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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, that 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, their 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. The Company has certain leases subject to index adjustments. The inflation index rate is only used to calculate the lease liability when a lease modification occurs.

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 their 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

Comprehensive income 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, securities available for sale, as well as unrecognized post-employment benefits as components of comprehensive income.

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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.

As of December 31, 2023, 2022 and 2021, the Company recorded a gain of \$1,492, \$1,131 and \$531, respectively, included within "Other operating income, net" related to the equity method of its investments in companies.

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, 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).

Recent accounting pronouncements

Recent Accounting Pronouncements Not Yet Adopted

Segment Reporting

In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". The pronouncement expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods beginning after December 15, 2024. We are currently in the process of determining the impact that ASU 2023-07 will have on the Company's consolidated financial statement disclosures.

Income Taxes

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The pronouncement expands the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. We are currently in the process of determining the impact that ASU 2023-09 will have on the Company's consolidated financial statement disclosures.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on the Company's consolidated financial statements.

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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 increased to 7% for the last 5-year period of the agreement. Payment of monthly royalties is due on the seventh business day of the next calendar month.

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.

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Other acquisitions

During fiscal years 2023, 2022 and 2021, the Company acquired certain franchised restaurants in certain territories. Presented below is supplemental information about these acquisitions:

Purchases of restaurant businesses:	2023	2022	2021
Property and equipment	\$ 2,063	\$ 3,254	\$ 185
Identifiable intangible assets	2,760	1,349	—
Goodwill	4,380	1,843	—
Liabilities assumed	(154)	—	—
Gain on purchase of franchised restaurants	—	(830)	—
Purchase price	9,049	5,616	185
Seller financing	(3,430)	(320)	—
Exchange of assets	(3,538)	—	—
Settlement of franchise receivables	—	(496)	—
Net cash paid at acquisition date	\$ 2,081	\$ 4,800	\$ 185

5. Accounts and notes receivable, net

Accounts and notes receivable, net consist of the following at year end:

	2023	2022
Receivables from franchisees	\$ 42,630	\$ 33,323
Debit and credit card receivables	61,178	53,062
Delivery Sales Receivables	35,376	29,177
Meal voucher receivables	9,877	8,609
Notes receivable	249	562
Allowance for doubtful accounts	(1,330)	(460)
	\$ 147,980	\$ 124,273

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following at year end:

	2023	2022
Prepaid taxes	\$ 54,802	\$ 64,593
Prepaid expenses	41,020	36,004
Promotion items and related advances	21,963	17,962
Others	1,197	1,436
	\$ 118,982	\$ 119,995

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7. Miscellaneous

Miscellaneous consist of the following at year end:

	2023	2022
Judicial deposits	\$ 63,730	\$ 47,292
Tax credits	19,509	13,394
Notes receivable	4,505	4,346
Rent deposits	4,033	3,384
Prepaid property and equipment	1,011	4,196
Others	11,437	9,050
	\$ 104,225	\$ 81,662

8. Property and equipment, net

Property and equipment, net consist of the following at year-end:

	2023	2022
Land	\$ 136,195	\$ 134,407
Buildings and leasehold improvements	977,590	754,940
Equipment	1,115,223	886,601
Total cost	2,229,008	1,775,948
Total accumulated depreciation	(1,109,123)	(919,863)
	\$ 1,119,885	\$ 856,085

Total depreciation expense for fiscal years 2023, 2022 and 2021 amounted to \$130,585, \$107,280 and \$109,462, respectively.

9. Net intangible assets and goodwill

Net intangible assets and goodwill consist of the following at year-end:

	2023	2022
Net intangible assets (i)		
Computer software cost	\$ 129,581	\$ 102,421
Initial franchise fees	17,671	14,804
Reacquired franchised rights	21,270	16,761
Others	940	1,940
Total cost	169,462	135,926
Total accumulated amortization	(111,333)	(88,584)
Subtotal	58,129	47,342

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Goodwill (ii)	2023	2022
Brazil	4,876	4,018
Argentina	1,276	1,276
Mexico	1,916	1,000
Chile	3,755	874
Colombia	74	59
Subtotal	11,897	7,227
	\$ 70,026	\$ 54,569

- (i) Total amortization expense for fiscal years 2023, 2022 and 2021 amounted to \$18,683, \$12,497 and \$10,932, respectively. The estimated aggregate amortization expense for each of the five succeeding fiscal years and thereafter is as follows: \$29,359 for 2024, \$18,357 for 2025; \$5,030 for 2026; \$3,379 for 2027; \$649 for 2028; and thereafter \$1,355.
- (ii) Related to the acquisition of franchised restaurants and non-controlling interests in Chile.

10. Accrued payroll and other liabilities

Accrued payroll and other liabilities consist of the following at year end:

	2023	2022
Current:		
Accrued payroll	\$ 106,177	\$ 99,463
Phantom RSU award liability	19,165	729
Accrued expenses	10,020	7,889
Other liabilities	7,125	7,246
	\$ 142,487	\$ 115,327
Non-current:		
Phantom RSU award liability	\$ 7,528	\$ 11,236
Deferred revenues - initial franchise fee	5,835	5,070
Deferred income	6,807	5,986
Security deposits	7,343	6,198
Other liabilities	—	291
	\$ 27,513	\$ 28,781

11. Short-term debt

Short-term debt consists of the following at year-end:

	2023	2022
Bank overdrafts	\$ 31	\$ —
Short-term bank loans	29,502	267
Short-term notes	—	51
Total	\$ 29,533	\$ 318

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Short-term bank loans

As of December 31, 2023, short term bank loans were comprised of two loans in Chile that were granted by Banco Itaú Chile and Banco de Chile S.A., amounting to \$19,681 and \$9,821, respectively, with an annual interest rate of 8.28% and 8.88%, respectively, which will mature in December 2024.

As of December 31, 2022, short term bank loans were comprised of two loans in Argentina, granted by Banco BBVA Argentina S.A., amounting to \$ 267, with an annual interest rate of 14.5%, which matured during January 2023.

Revolving credit facility

On December 12, 2022, the Company renewed its committed revolving credit facility with JPMorgan Chase Bank, N.A. (JPMorgan), for up to \$25 million maturing on February 15, 2024. On February 15, 2024, the Company renewed it upon the same terms and conditions maturing on February 17, 2026. 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.

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 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, 2023, the Company's net indebtedness (including interest payable) to EBITDA ratio was 1.02 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.

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12. Long-term debt

Long-term debt consists of the following at year-end:

	2023	2022
2029 Notes	\$ 334,200	\$ 337,200
2027 Notes	379,265	381,265
2023 Notes	—	18,224
Finance lease obligations	8,498	5,032
Other long-term borrowings	1,700	—
Subtotal	723,663	741,721
Discount on 2029 Notes	(4,059)	(4,833)
Discount on 2027 Notes	(2,571)	(3,414)
Discount on 2023 Notes	—	(26)
Premium on 2029 Notes	382	461
Premium on 2027 Notes	1,141	1,506
Premium on 2023 Notes	—	9
Deferred financing costs	(3,715)	(4,720)
Total	714,841	730,704
Current portion of long-term debt	1,803	19,033
Long-term debt, excluding current portion	\$ 713,038	\$ 711,671

2029, 2027 and 2023 Notes

The following table presents additional information related to the 2029, 2027 and 2023 Notes (the "Notes"):

	Annual interest rate	Currency	Principal as of December 31,		Maturity
			2023	2022	
2029 Notes	6.125 %	USD	\$ 334,200	\$ 337,200	May 27, 2029
2027 Notes	5.875 %	USD	379,265	381,265	April 4, 2027
2023 Notes	6.625 %	USD	—	18,224	September 27, 2023

The following table presents additional information for the fiscal years ended December 31, 2023, 2022 and 2021:

	Interest Expense (i)			DFC Amortization (i)			Amortization of Premium/Discount, net (i)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
2029 Notes	\$ 20,511	\$ 14,299	\$ —	\$ 527	\$ 342	\$ —	\$ 695	\$ 715	\$ —
2027 Notes	22,218	25,538	32,175	466	759	758	478	785	805
2023 Notes	906	6,230	13,768	12	297	224	17	388	287

(i) These charges are included within "Net interest expense and other financing results" in the consolidated statements of income.

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On September 27, 2013, the Company issued senior notes for an aggregate principal amount of \$473.8 million, which matured during September 2023 (the "2023 Notes"). Periodic payments of principal were not required and interest was paid semi-annually commencing on March 27, 2014. The Company capitalized as deferred financing costs ("DFC") \$3,313 of financing costs related to the issuance of 2023 Notes, which have been fully amortized over the life of the notes.

The following table summarizes the activity of 2023 Notes as of December 31, 2023:

Transaction	Date	Principal Amount	Average Price	Early Redemption Price	Total payment (i)
Issuance	September 27, 2013	\$ 473,767	—	—	\$ —
Cash Tender	June 28, 2016	\$ (80,000)	98.00 %	101.00 %	\$ (80,800)
Cash Tender	April 12, 2017	\$ (45,698)	104.00 %	107.00 %	\$ (48,885)
Exchange 2023 Notes for additional issuance 2027 Notes	October 13, 2020	\$ (131,476)	100.50 %	105.50 %	\$ (138,474)
Open market repurchases	During 2021	\$ (14,830)	109.45 %	—	\$ (16,231)
Cash Tender	April 22, 2022	\$ (59,239)	105.36 %	—	\$ (62,414)
Optional redemption (ii)	June 10, 2022	\$ (123,000)	104.58 %	—	\$ (128,636)
Open market repurchases	July 5, 2022	\$ (1,300)	102.30 %	—	\$ (1,330)
Settlement at maturity	September 27, 2023	\$ (18,224)	—%	—	\$ (18,224)
Principal amount of 2023 Notes as of December 31, 2023:		\$ —			

(i) Not including accrued and unpaid interest

(ii) Redemption price established in accordance with the requirements of the indenture governing the 2023 Notes

The results related to the aforementioned transactions and the accelerated amortization of the related DFC were recognized as net interest expense and other financing results within the consolidated statement of income.

The 2023 Notes were listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

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 certain loans (the "Secured Loan Agreement") signed by the Company's Brazilian subsidiary, 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 which had been drawn during 2020 in order to maintain liquidity affected by the effects of COVID-19. Periodic payments of principal are not required, and interest is paid semi-annually commencing on October 4, 2017. The Company capitalized as DFC \$3,001 of financing costs related to the first issuance of 2027 Notes and \$2,000 related to the second issuance, which are being amortized over the life of the notes.

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The following table summarizes the activity of 2027 Notes as of December 31, 2023:

Transaction	Date	Principal Amount	Average Price		Early Redemption Price	Total payment (i)
Issuance	April 4, 2017	\$ 265,000	—		—	\$ —
Additional issuance	2020 September 11,	\$ 150,000	—		—	\$ —
Additional issuance of 2027 Notes related to 2023 exchange	October 13, 2020	\$ 138,354	—		—	\$ —
Open market repurchases	During 2021	\$ (17,368)	105.74	%	—	\$ (18,364)
Cash Tender	May 13, 2022	\$ (150,000)	99.94	%	103.00 %	\$ (154,407)
Open market repurchases	During 2022	\$ (4,721)	98.01	%	—	\$ (4,627)
Open market repurchases	During 2023	\$ (2,000)	95.20	%	—	\$ (1,904)
2023:	Principal amount of 2027 Notes as of December 31,	\$ 379,265				

(i) Not including accrued and unpaid interest

The results related to the aforementioned transactions and the accelerated amortization of the related DFC were recognized as net interest expense and other financing results within the consolidated statement of income.

On April, 2022, the Company's subsidiary ADBV issued sustainability-linked Senior Notes for an aggregate principal amount of \$ 350 million which matures in 2029 (the "2029 Notes"). Interests on the notes are accrued 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 increase to 6.250% per annum or 6.375% per annum if either or both Sustainability Performance Targets (SPT), respectively, have not been satisfied by December 31, 2025. The SPT to be satisfied 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 were mainly used by the Company to fund the tender offers for 2023 and 2027 Notes and the redemption for 2023 Notes launched during 2022 previously mentioned. The Company capitalized as DFC \$2,651 of financing costs related to the issuance of 2029 Notes, which are being amortized over the life of the notes.

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The following table summarizes the activity of 2029 Notes as of December 31, 2023:

Transaction	Date	Principal Amount	Average Price		Total payment (i)
Issuance	April 27, 2022	\$ 350,000	—		\$ —
Open market repurchases	During 2022	\$ (12,800)	93.87	%	\$ (12,015)
Open market repurchases	During 2023	\$ (3,000)	93.76	%	\$ (2,813)
Principal amount of 2029 Notes as of December 31, 2023:		\$ 334,200			

(i) Not including accrued and unpaid interest

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 and 2029 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 occur, 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 2029 Notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

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Other required disclosure

As of December 31, 2023, future payments related to the Company's long-term debt are as follows:

	Principal	Interest	Total
2024	\$ 1,803	\$ 43,419	\$ 45,222
2025	2,315	43,344	45,659
2026	531	43,294	43,825
2027	379,836	32,112	411,948
2028	615	20,927	21,542
Thereafter	338,563	11,304	349,867
Total payments	723,663	194,400	918,063
Interest	—	(194,400)	(194,400)
Discount on 2029 Notes	(4,059)	—	(4,059)
Discount on 2027 Notes	(2,571)	—	(2,571)
Premium on 2029 Notes	382	—	382
Premium on 2027 Notes	1,141	—	1,141
Deferred financing cost	(3,715)	—	(3,715)
Long-term debt	\$ 714,841	\$ —	\$ 714,841

13. Derivative instruments

The Company's derivatives that are designated for hedge accounting consist of cross-currency interest rate swaps, foreign currency forwards, call spreads, interest coupon only swaps and sustainability linked ESG Principal Only and are classified cash flow hedges. Further details are in "Cash Flow" hedge section.

The Company enters into certain derivatives that are not designated for hedge accounting. The Company has entered into foreign currency forwards, call spread and interest coupon only swap to mitigate the foreign currency fluctuations on foreign currency denominated liabilities. Further details are explained in the "Derivatives not designated as hedging instruments" section.

The following table presents the fair values of derivative instruments included in the consolidated balance sheets as of December 31, 2023 and 2022:

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Type of Derivative	Balance Sheets Location	Assets		Balance Sheets Location	Liabilities	
		2023	2022		2023	2022
<i>Derivatives designated as hedging instruments</i>						
<i>Cash Flow</i>						
<i>hedge</i>						
Forward contracts	Other receivables	\$ 119	\$ 268	Accrued payroll and other liabilities	\$ (1,536)	\$
Call spread + Coupon-only swap	Derivative instruments	2,823	—	Derivative instruments	(185)	
Sustainability-linked ESG Principal Only Swap	Derivative instruments	18,466	—	Derivative instruments	(261)	
Cross-currency interest rate swap	Derivative instruments	19,337	43,757	Derivative instruments	(2,398)	
Subtotal		\$ 40,745	\$ 44,025		\$ (4,380)	\$
<i>Derivatives not designated as hedging instruments</i>						
Cross-currency interest rate swap	Derivative instruments	\$ —	\$ 38,031	Derivative instruments	\$ —	\$
Call Spread + Coupon-only swap	Derivative instruments	3,761	6,445	Derivative instruments	(12,578)	
Call spread	Derivative instruments	2,099	3,626	Derivative instruments	—	
Coupon-only swap	Derivative instruments	—	—	Derivative instruments	(7,336)	
Sustainability-linked ESG Principal Only Swap	Derivative instruments	—	1,050	Derivative instruments	—	
Subtotal		\$ 5,860	\$ 49,152		\$ (19,914)	\$
Total derivative instruments		\$ 46,605	\$ 93,177		\$ (24,294)	\$

Derivatives designated as hedging instruments

Cash flow hedge

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, 2023, the Company estimated that the whole amount of net derivative gains or losses related to its cash flow hedges included in accumulated other comprehensive loss will be reclassified into earnings within the next 12 months.

Moreover, the Company, through its Brazilian subsidiary, enters into certain instruments designated as cash flow hedge to reduce the exposure to variability in expected future cash flows related to intercompany loans (principal and interest). The Company uses call spread, coupon-only swaps, cross-currency interest rate swap and a sustainability-linked ESG principal only swap. As of December 31, 2023, the Company estimated that the whole amount of net derivative gains or losses related to its cash flow hedges included in accumulated other comprehensive loss will be reclassified into earnings within the next 6 years.

For certain call spreads, in July 2023 the Company's Brazilian subsidiary paid a net premium of \$2,581 to buy the options.

For the sustainability-linked ESG principal only swap, and in order to maintain the same notional payables and receivables of a previous cross-currency interest rate swap, in September 2023 the Company's Brazilian subsidiary made a deposit amounting to \$19,587.

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The following table presents the notional amounts of the Company's outstanding derivative instruments classified as cash flow hedge:

	Notional amount as of December 31,	
	2023	2022
Forward contracts	\$ 44,412	\$ 34,843
Call Spread + Coupon-only swap	24,000	—
Sustainability-linked ESG Principal Only	50,000	—
Cross-currency interest rate swap	80,000	100,000

Additional disclosures

The following table presents the pretax amounts affecting income and other comprehensive income (loss) for the fiscal years ended December 31, 2023, 2022 and 2021 for each type of derivative relationship:

Derivatives in Cash Flow Hedging Relationships	(Loss) Gain Recognized in Accumulated OCI on Derivative			Loss (Gain) Reclassified from Accumulated OCI into income (loss)		
	2023	2022	2021	2023	2022	2021
(i) Forward contracts	\$ (6,710)	\$ (1,225)	\$ 1,366	\$ 6,172	\$ (263)	\$ 507
Cross-currency interest rate swaps (ii)	(14,730)	(31,174)	23,802	10,913	8,727	(8,564)
Call Spread (iii)	30	—	(2,593)	2,385	3,275	1,915
(iii) Coupon-only swap	(263)	—	1,093	(1,752)	(964)	(797)
Sustainability linked ESG Principal Only Swap (ii)	(1,224)	—	—	2,014	—	—
Total	\$ (22,897)	\$ (32,399)	\$ 23,668	\$ 19,732	\$ 10,775	\$ (6,939)

(i) The results recognized in income related to forward contracts were recorded as an adjustment to food and paper.

(ii) The net (loss) gain recognized in income is presented as follows:

Adjustment to:	2023	2022	2021
Net interest expense and other financing results	(1,933)	(4,639)	(3,828)
(Loss) gain from derivative instruments (a)	(6)	5,907	—
Foreign currency exchange results	(10,988)	(9,995)	12,392
Total	\$ (12,927)	(8,727)	8,564

(a) Related to the discontinued relationships of Cross-currency interest rate swaps during July 2023 and September 2022.

(iii) The results recognized in income related to Call Spread agreements were recorded as an adjustment to "Foreign currency exchange results". The results recognized in income related to Coupon-only agreements were recorded as an adjustment to "Net interest expense and other financing results".

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Derivatives not designated as hedging instruments

The Company entered into certain derivatives that are not designated for hedge accounting, therefore the changes in the fair value of these derivatives are recognized immediately within "Loss from derivative instruments".

The following table presents the notional amounts of the Company's outstanding derivative instruments not designated as hedging instruments:

	Notional amount as of December 31,	
	2023	2022
Cross-currency interest rate swap	\$ —	\$ 115,439
Call Spread + Coupon-only swap	50,000	50,000
Call Spread	30,000	30,000
Coupon-only swap	30,000	30,000
Sustainability-linked ESG Principal Only Swap	—	50,000

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14. Leases

As of December 31, 2023, maturities of lease liabilities under existing operating leases are:

	Restaurant	Other	Total
2024	\$ 149,121	\$ 6,162	\$ 155,283
2025	143,698	5,347	149,045
2026	137,788	4,549	142,337
2027	132,948	3,614	136,562
2028	127,169	1,572	128,741
Thereafter	1,001,831	4,380	1,006,211
Total lease payments	\$ 1,692,555	\$ 25,624	\$ 1,718,179
Lease discount			(771,565)
Operating lease liability			\$ 946,614

The following table is a summary of the Company's components of lease cost for fiscal years 2023, 2022 and 2021:

Lease Expense	Statements of Income Location	2023	2022	2021
Operating lease expense - Minimum rentals:				
Company-operated restaurants	Occupancy and other operating expenses	\$ (131,613)	\$ (117,723)	\$ (94,254)
	Franchised restaurants - occupancy	(47,975)	(44,656)	(29,969)
Franchised restaurants	expenses	(8,472)	(6,746)	(6,590)
General and administrative	General and administrative expenses	(188,060)	(169,125)	(130,813)
Subtotal		(188,060)	(169,125)	(130,813)
Variable lease expense - Contingent rentals based on sales:				
Company-operated restaurants	Occupancy and other operating expenses	(46,861)	(36,322)	(27,262)
	Franchised restaurants - occupancy	(15,603)	(10,810)	(9,505)
Franchised restaurants	expenses	(62,464)	(47,132)	(36,767)
Subtotal		(62,464)	(47,132)	(36,767)
Total lease expense		\$ (250,524)	\$ (216,257)	\$ (167,580)

Other information	2023
Weighted-average remaining lease term (years)	
Operating leases	7
Weighted-average discount rate	
Operating leases	6.5%

The Company maintains a few finance leases agreements, previously classified as capital leases. As of December 31, 2023 and 2022 the obligation amounts to \$8,498 and \$5,032 respectively, included within "Long-term debt" in the Consolidated Balance Sheet.

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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.

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).

As of December 31, 2023 and 2022, net property and equipment under franchise arrangements totaled \$109,642 and \$98,067, respectively (including land for \$27,160 and \$25,213, respectively).

Revenues from franchised restaurants for fiscal years 2023, 2022 and 2021 consisted of:

	2023	2022	2021	
	\$	193,518	160,795	115,418
as (ii)		417	401	321
fees (iii)		268	215	295
	\$	<u>194,203</u>	<u>161,411</u>	<u>116,034</u>

- (i) Includes rental income of own buildings and subleases. As of December 31, 2023, 2022 and 2021 the subleases rental income amounted to \$154,087, \$132,327 and \$97,756, respectively.
- (ii) Presented net of initial fees owed to McDonald's Corporation for \$963, \$1,012 and \$739 in 2023, 2022 and 2021, respectively.
- (iii) Presented net of royalties fees owed to McDonald's Corporation for \$71,667, \$62,360 and \$46,476 in 2023, 2022 and 2021, respectively.

As of December 31, 2023, future minimum rent payments due to the Company under existing franchised agreements are:

	Owned sites		Leased sites		Total
2024	\$	6,574	\$	63,690	\$ 70,264
2025		5,061		57,963	63,024
2026		5,092		52,920	58,012
2027		4,953		47,366	52,319
2028		4,178		41,453	45,631
Thereafter		34,976		193,969	228,945
Total	\$	<u>60,834</u>	\$	<u>457,361</u>	<u>\$ 518,195</u>

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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.

Statutory tax rates in the countries in which the Company operates for fiscal years 2023, 2022 and 2021 were as follows:

	2023	2022	2021
Colombia	18.5%	18.5%	18.5%
Costa Rica	22.0%	22.0%	22.0%
Ecuador	21.0%	21.0%	22.5%
Panama, and Uruguay	25.0%	25.0%	25.0%
Peru	22.0%	25.0%	25.0%
Suriname	27.0%	27.0%	27.0%
Guatemala, French Guiana and Guadeloupe	25.0%	25.0%	22.5%
Honduras	29.5%	29.5%	29.5%
Paraguay	30.0%	30.0%	30.0%
El Salvador	35.0%	35.0%	31.0%
Chile and Venezuela	34.0%	34.0%	34.0%
Argentina	35.0%	35.0%	35.0%
United States	25.8%	25.8%	25.0%

Income tax expense, net for fiscal years 2023, 2022 and 2021 consisted of the following:

	2023	2022	2021
Current income tax expense	\$ 100,012	\$ 100,925	\$ 47,999
Deferred income tax income	(4,310)	(15,449)	(16,066)
Income tax expense, net	\$ 95,702	\$ 85,476	\$ 31,933

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Income tax expense, net for fiscal years 2023, 2022 and 2021, 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:

	2023	2022	2021
Pre-tax income	\$ 278,117	\$ 226,396	\$ 77,786
Weighted-average statutory income tax rate (i)	36.1 %	39.0 %	41.4 %
Income tax expense at weighted-average statutory tax rate on pre-tax income	100,411	88,314	32,230
Permanent differences:			
Change in valuation allowance (ii)	(254)	381	(26,865)
Expiration and changes in tax loss carryforwards	3,784	132	144
Venezuela and Argentina remeasurement and inflationary impacts (iii)	(16,234)	(10,009)	577
Non-deductible expenses	15,548	24,845	21,488
Tax benefits and Non-taxable income	(12,826)	(9,740)	(10,463)
Income taxes withholdings on intercompany transactions (iv)	9,704	6,374	6,572
Differences including exchange rate, inflation adjustment and filing differences	(5,586)	(14,485)	1,493
Alternative Taxes	2,109	359	1,461
Others (v)	(954)	(695)	5,296
Income tax expense, net	\$ 95,702	\$ 85,476	\$ 31,933

- (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 ("NOLs").
- (iii) Comprises changes in valuation allowance during 2023, 2022 and 2021 for \$22,825, \$57,329 and \$(9,723), respectively in Venezuela.
- (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.

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The tax effects of temporary differences and carryforwards that comprise significant portions of deferred tax assets and liabilities as of December 31, 2023 and 2022 are presented below:

	2023	2022
Tax loss carryforwards (i)	\$ 153,823	\$ 149,081
Purchase price allocation adjustment	12,288	11,298
Property and equipment, tax inflation adjustment	53,238	44,785
Tax Inflation adjustment	(381)	(2,689)
Other accrued payroll and other liabilities	41,787	36,055
Share-based compensation	3,669	2,340
Provision for contingencies, bad debts and obsolescence	23,126	17,949
Other deferred tax assets (ii)	27,508	29,157
Other deferred tax liabilities	(5,403)	(5,642)
Leases (iii)	29,216	20,567
Property and equipment - difference in depreciation rates	(23,200)	(17,446)
Valuation allowance (iv)	(218,674)	(201,414)
Net deferred tax asset	\$ 96,997	\$ 84,041

- (i) As of December 31, 2023, the Company and its subsidiaries have accumulated NOLs amounting to \$524,023. The Company has NOLs amounting to \$192,833, expiring between 2024 and 2028, \$122,422, expiring after 2028 and, \$208,768 that do not expire. Changes in tax loss carryforwards for the year relate to generation 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). As of December 31, 2023 and 2022, this item includes: provision for regular expenses for \$13,070 and \$8,856, respectively, in Brazil, Colombia, Mexico, Panama and Venezuela.
- (iii) As of December 31, 2023 and 2022, this item includes difference in depreciation of net leases (related to differences between ASC842 and local tax regulation) in Brazil; assets of \$240,299 and \$210,181 and liabilities of \$211,083 and \$189,614, respectively.
- (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 \$96,997 for the year ended December 31, 2023, is presented in the consolidated balance sheet as non-current asset and non-current liability amounting to \$98,163 and \$1,166, respectively.

The total amount of \$84,041 for the year ended December 31, 2022, is presented in the consolidated balance sheet as non-current asset and non-current liability amounting to \$87,972 and \$3,931, 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 \$343,520 as of December 31, 2023. 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, 2023, and 2022, the Company has not identified unrecognized tax benefits that would favorably affect the effective tax rate if resolved in the Company's favor.

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The Company accounts 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 2017.

As of December 31, 2023, there are certain matters related to the interpretation of income tax laws which could be challenged by tax authorities in an amount of \$250 million, related to assessments for the fiscal years 2009 to 2017. 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 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 each grant date. As of December 31, 2023 all employee benefit plans were fully vested.

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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 \$27, \$129 and \$327 during fiscal years 2023, 2022 and 2021, 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 2023, 2022 and 2021:

	Units	Weighted-average grant-date fair value
Outstanding at December 31, 2020	451,198	7.80
Partial vesting of 2016 grant	(110,213)	4.70
Partial vesting of 2017 grant	(62,742)	9.20
Partial vesting of 2018 grant	(79,673)	8.50
Forfeitures	(11,774)	8.69
Outstanding at December 31, 2021	186,796	8.70
Partial vesting of 2017 grant	(51,613)	9.20
Partial vesting of 2018 grant	(64,895)	8.50
Forfeitures	(8,522)	8.62
Outstanding at December 31, 2022	61,766	8.50
Partial vesting of 2018 grant	(60,623)	8.50
Forfeitures	(1,143)	8.50
Outstanding at December 31, 2023	—	—
Exercisable at December 31, 2023	—	—

The total fair value of restricted share units vested during 2023, 2022 and 2021 was \$514, \$1,026 and \$1,773, respectively. As of December 31, 2023 the Company issued 60,424 Class A shares. Therefore, accumulated recorded compensation expense totaling \$514 was reclassified from "Additional paid-in capital" to "Class A shares of common Stock" upon issuance. As of December 31, 2023, there were 8,084 Class A shares, amounting to \$59 pending of issuance in connection with previous partial vesting.

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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.

The following table provides information about the awards granted by the Company as of December 31, 2023:

Grant	Units	Vesting period
2019	186,081	May 2021
	93,040	May 2022
	93,040	May 2023
	1,300,496	May 2024
2020	65,440	May 2021
2021	44,093	April 2022
	874,294	May 2024
2022	41,055	April 2023
	866,481	May 2025
2023	32,599	April 2024
	736,776	May 2026

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, 2023, 2022 and 2021, amounts to \$15,586, \$7,448 and \$3,452 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.

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The following table summarizes the activity under the plan as of December 31, 2023:

	Units	Settlement
Outstanding at December 31, 2020	1,690,484	\$ —
Grant 2021	918,387	—
Partial vesting of 2019 grant	(173,916)	1,104
Vesting of 2020 grant	(65,440)	416
Forfeitures	(329,027)	—
Outstanding at December 31, 2021	2,040,488	—
Grant 2022	907,536	—
Partial vesting of 2019 grant	(63,257)	431
Vesting of 2021 grant	(44,093)	320
Forfeitures	(128,919)	—
Outstanding at December 31, 2022	2,711,755	—
Grant 2023	769,375	—
Partial vesting of 2019 grant	(59,616)	512
Vesting of 2022 grant	(41,055)	326
Forfeitures	(180,272)	—
Outstanding at December 31, 2023	3,200,187	—

The following table provides a summary of the plan as of December 31, 2023:

	Total Non-vested (i)
Number of units outstanding	3,200,187
Current share price	12.69
Total fair value of the plan	40,610
Weighted-average accumulated percentage of service	65.73 %
Accrued liability (ii)	26,693
Compensation expense not yet recognized (iii)	13,917

(i) Related to awards that will vest between April 2024 and May 2026.

(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 1.77 years.

The Company recognized \$2,763, \$966 and \$75 of related income tax benefit for the share-based compensation plans during fiscal years 2023, 2022 and 2021, respectively.

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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 increased 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 resulted 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.

Due to the dynamic environment in 2021, after the disruptions caused by the COVID-19 pandemic, 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. Additionally, on January 10, 2022, the Company reached an agreement with McDonald's Corporation on a new growth and investment plan for the next few 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 resulted in an effective royalty rate of about 5.6% and 6.0% of sales in 2022 and 2023, respectively, and is expected to result in an effective royalty rate of about 6.0% of sales in 2024.

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For the period ended December 31, 2023, the Company was in compliance with the ratio requirements mentioned in point (v) above. The ratios for the periods mentioned, were as follows:

	Fixed Charge Coverage Ratio	Leverage Ratio
March 31, 2023	1.91	3.35
June 30, 2023	2.11	3.30
September 30, 2023	2.11	3.24
December 31, 2023	2.16	3.22

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, 2023
Itaú	Net indebtedness to EBITDA	4.5	1.00
Credit Suisse (i)	Indebtedness to EBITDA	4.0	0.67
JPMorgan (i)	Indebtedness to EBITDA	4.5	0.67

(i) Maintained through its wholly-owned subsidiary ADBV.

As of December 31, 2023 the Company was in compliance with all the ratios.

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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. As of December 31, 2023 and 2022, the Company maintains a provision for contingencies, net of judicial deposits, amounting to \$50,619 and \$44,839, respectively, presented as follows: \$1,447 and \$2,272 as a current liability and \$49,172 and \$42,567 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, 2023:						
Tax contingencies in Brazil (i)	\$ 28,505	\$ 10,697	\$ (151)	\$ —	\$ 1,532	\$ 40,583
Labor contingencies in Brazil (ii)	14,095	14,231	(17,377)	556	1,169	12,674
Other (iii)	10,145	(668)	(4,494)	(3)	949	5,929
Subtotal	52,745	24,260	(22,022)	553	3,650	59,186
Judicial deposits (iv)	(7,906)	—	—	80	(741)	(8,567)
Provision for contingencies	\$ 44,839	\$ 24,260	\$ (22,022)	\$ 633	\$ 2,909	\$ 50,619
Year ended December 31, 2022:						
Tax contingencies in Brazil (i)	\$ 16,642	\$ 11,166	\$ (12)	\$ —	\$ 709	\$ 28,505
Labor contingencies in Brazil (ii)	13,270	12,426	(13,449)	1,094	754	14,095
Other (iii)	10,766	3,449	(2,763)	—	(1,307)	10,145
Subtotal	40,678	27,041	(16,224)	1,094	156	52,745
Judicial deposits (iv)	(6,592)	—	—	(953)	(361)	(7,906)
Provision for contingencies	\$ 34,086	\$ 27,041	\$ (16,224)	\$ 141	\$ (205)	\$ 44,839
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

- (i) In 2023, 2022 and 2021, it includes mainly INSS (Instituto Nacional do Seguro Social) and CIDE (Contribuições de Intervenção no Domínio Econômico).
- (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, 2023, there are certain matters related to the interpretation of tax (for income tax matters refer to note 16), customs, labor and civil laws for which there is a reasonable possibility that a loss may have been incurred in accordance with ASC 450-20-50-4 within a range of \$511 million and \$576 million. In accordance with ASC 405-20-50-6, unasserted claims or assessments that do not meet the conditions mentioned have not been included.

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Pursuant to Section 9.3 of the Stock Purchase Agreement, McDonald's Corporation indemnifies the Company for certain Brazilian claim. As of December 31, 2023 and 2022, the provision for contingencies includes \$1,458 and \$1,297, respectively 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.

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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.

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, 2023 and 2022:

	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,	
	2023	2022	2023	2022	2023	2022	2023	2022
Assets								
Cash equivalents	\$ 113,726	\$ 173,653	\$ —	\$ —	\$ —	\$ —	\$ 113,726	\$ 173,653
Short-term Investments	45,000	25,000	5,106	12,459	—	—	50,106	37,459
Derivatives	—	—	46,605	93,177	—	—	46,605	93,177
Total Assets	\$ 158,726	\$ 198,653	\$ 51,711	\$ 105,636	\$ —	\$ —	\$ 210,437	\$ 304,289
Liabilities								
Derivatives	\$ —	\$ —	\$ 24,294	\$ 29,529	\$ —	\$ —	\$ 24,294	\$ 29,529
Total Liabilities	\$ —	\$ —	\$ 24,294	\$ 29,529	\$ —	\$ —	\$ 24,294	\$ 29,529

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

As of December 31, 2023, the fair value of the Company's short and long-term debt was estimated at \$732,389, compared to a carrying amount of \$751,821. 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). As of December 31, 2023, 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.

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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, short-term investments, and accounts and notes receivable. Cash and cash equivalents and short-term investments 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. However, some events of global impact such as pandemic, could affect the Company's operations.

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 and its operations are divided into three geographic divisions, as follows: (i) Brazil, (ii) the North Latin American division, or "NOLAD," which is comprised 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," which is 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,		
	2023	2022	2021
Revenues:			
Brazil	\$ 1,701,547	\$ 1,429,105	\$ 1,002,781
NOLAD	1,132,912	920,189	780,866
SLAD	1,497,419	1,269,608	876,294
Total revenues	\$ 4,331,878	\$ 3,618,902	\$ 2,659,941
Adjusted EBITDA:			
Brazil	\$ 300,177	\$ 242,346	\$ 175,603
NOLAD	115,364	95,290	85,323
SLAD	160,380	134,253	77,573
Total reportable segments	575,921	471,889	338,499
Corporate and others (i)	(103,617)	(85,325)	(66,741)
Total adjusted EBITDA	\$ 472,304	\$ 386,564	\$ 271,758

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
Amounts in thousands of US dollars, except for share data and as otherwise indicated

	For the fiscal years ended December 31,		
	2023	2022	2021
Adjusted EBITDA reconciliation:			
Total Adjusted EBITDA	\$ 472,304	\$ 386,564	\$ 271,758
(Less) Plus items excluded from computation that affect operating income:			
Depreciation and amortization	(149,268)	(119,777)	(120,394)
Gains from sale, insurance recovery and contribution in equity method investment of property and equipment	2,030	1,949	4,876
Write-offs of long-lived assets	(8,401)	(3,143)	(3,094)
Impairment of long-lived assets	(2,626)	(1,171)	(1,573)
Reorganization and optimization plan expenses	—	—	(12,054)
Operating income	314,039	264,422	139,519
(Less) Plus:			
Net interest expense and other financing results	(32,275)	(43,750)	(49,546)
Loss from derivative instruments	(13,183)	(10,490)	(5,183)
Foreign currency exchange results	10,774	16,501	(9,189)
Other non-operating (expenses) income, net	(1,238)	(287)	2,185
Income tax expense, net	(95,702)	(85,476)	(31,933)
Net income attributable to non-controlling interests	(1,141)	(577)	(367)
Net income attributable to Arcos Dorados Holdings Inc.	\$ 181,274	\$ 140,343	\$ 45,486
Depreciation and amortization:			
	2023	2022	2021
Brazil	\$ 68,249	\$ 55,003	\$ 54,883
NOLAD	41,195	32,377	34,810
SLAD	32,302	25,932	26,188
Total reportable segments	141,746	113,312	115,881
Corporate and others (i)	8,178	7,134	5,372
Purchase price allocation (ii)	(656)	(669)	(859)
Total depreciation and amortization	\$ 149,268	\$ 119,777	\$ 120,394
Property and equipment expenditures:			
Brazil	\$ 121,913	\$ 68,661	\$ 50,217
NOLAD	113,823	69,966	23,800
SLAD	122,616	78,162	40,640
Others	1,745	326	342
Total property and equipment expenditures	\$ 360,097	\$ 217,115	\$ 114,999

Arcos Dorados Holdings Inc.**Notes to the Consolidated Financial Statements**

As of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
 Amounts in thousands of US dollars, except for share data and as otherwise indicated

	As of December 31,	
	2023	2022
Total assets:		
Brazil	\$ 1,304,759	\$ 1,161,940
NOLAD	900,429	753,453
SLAD	748,073	647,852
Total reportable segments	2,953,261	2,563,245
Corporate and others (i)	171,255	174,486
Purchase price allocation (ii)	(105,278)	(101,101)
Total assets	\$ 3,019,238	\$ 2,636,630

(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, 2023, corporate assets primarily include cash and cash equivalents and short-term investments. As of December 31, 2022, corporate assets primarily include cash and cash equivalents, short-term investments and derivatives.

(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, considering the corresponding depreciation and amortization. As of December 31, 2023 and 2022, 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 \$1,119,885 and \$856,085 as of December 31, 2023 and 2022, respectively. All of the Company's long-lived assets are related to foreign operations.

22. Shareholders' equityAuthorized 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

As of December 31, 2020, the Company had 207,265,773 shares issued and outstanding with no par value, consisting of 127,265,773 class A shares and 80,000,000 class B shares.

During fiscal years 2023, 2022 and 2021, the Company issued 60,424, 116,223 and 251,623 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.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

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In 2020 and 2021, the Company used 2,723,614 and 2,960,926 of treasury shares, respectively, to satisfy a distribution of class A shares to the Company's shareholders.

As of December 31, 2023, 2022 and 2021 the Company had 210,654,969; 210,594,545 and 210,478,322 outstanding shares, consisting of 130,654,969; 130,594,545 and 130,478,322 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 March 14, 2023, the Company approved a cash dividend distribution to all Class A and Class B shareholders of \$0.19 per share to be paid in four installments, as follows: \$0.05 per share in March 30, June 28 and September 28, 2023, respectively and \$0.04 per share on December 27, 2023, amounting a total of \$40,022.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
Amounts in thousands of US dollars, except for share data and as otherwise indicated

22. Shareholders' equity

Accumulated other comprehensive loss

The following table sets forth information with respect to the components of "Accumulated other comprehensive loss" as of December 31, 2023 and their related activity during the three-years in the period then ended:

	Foreign currency translation	Cash flow hedges	Securities available for sale (i)	Post-employment benefits (ii)	Total Accumulated other comprehensive loss
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 loss to consolidated statement of 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)
Other comprehensive income (loss) before reclassifications	16,192	(26,255)	(3,624)	236	(13,451)
Net loss reclassified from accumulated other comprehensive loss to consolidated statement of income	—	7,669	—	90	7,759
Net current-period other comprehensive income (loss)	16,192	(18,586)	(3,624)	326	(5,692)
Balances at December 31, 2022	(608,879)	(746)	(3,624)	(211)	(613,460)
Other comprehensive income (loss) before reclassifications	53,745	(17,393)	(1,780)	(518)	34,054
Net loss reclassified from accumulated other comprehensive losses to consolidated statement of income	—	15,124	1,119	82	16,325
Net current-period other comprehensive income (loss)	53,745	(2,269)	(661)	(436)	50,379
Balances at December 31, 2023	(555,134)	(3,015)	(4,285)	(647)	(563,081)

- (i) Related to unrealized results on available for sale securities. As of December 31, 2023, the Company maintains Securities classified as available for sale in accordance with guidance in ASC 320 Investments – Debt and Equity Securities amounting to \$5,105, included within "Short-term investments" in the Consolidated Balance Sheet. The amortized cost amounted to \$9,968, which is included within "Investing Activities" in the Consolidated Cash Flow.
- (ii) 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. Periodically, 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.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

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23. 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,		
	2023	2022	2021
Net income attributable to Arcos Dorados Holdings Inc. available to common shareholders	\$ 181,274	\$ 140,343	\$ 45,486
Weighted-average number of common shares outstanding - Basic (i)	210,632,812	210,552,173	210,386,761
Incremental shares from vesting of restricted share units	—	74,925	154,802
Weighted-average number of common shares outstanding - Diluted	210,632,812	210,627,098	210,541,563
Basic net income per common share attributable to Arcos Dorados Holdings Inc.	\$ 0.86	\$ 0.67	\$ 0.22
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.	\$ 0.86	\$ 0.67	\$ 0.22

(i) Stock dividends distributed in 2021 is included within the weighted-average number of common shares for the fiscal year ended December 31, 2021.

24. 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 Guiana, Guadeloupe, Martinique, Aruba, Curaçao and the USVI (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, 2023 and 2022:

	As of December 31,	
	2023	2022
Other receivables	5,979	4,156
Miscellaneous	4,190	3,979
Accounts payable	(26,092)	(19,893)

Arcos Dorados Holdings Inc.**Notes to the Consolidated Financial Statements**

As of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
 Amounts in thousands of US dollars, except for share data and as otherwise indicated

The following table summarizes the transactions between the Company and the Axionlog Business for the fiscal years ended December 31, 2023, 2022 and 2021:

	Fiscal years ended December 31,		
	2023	2022	2021
Food and paper (i)	\$ (319,232)	\$ (256,704)	\$ (187,959)
Occupancy and other operating expenses	(9,590)	(7,193)	(5,108)

- (i) Include \$65,342 of distribution fees and \$253,890 of supplier purchases managed through the Axionlog Business for the fiscal year ended December 31, 2023; \$53,191 and \$203,513, respectively, for the fiscal year ended December 31, 2022; and \$40,227 and \$147,732, respectively, for the fiscal year ended December 31, 2021.

The following table summarizes the outstanding balances between the Company and its equity method investments as of December 31, 2023 and 2022:

	2023		2022	
	Lacoop II, S.C	Saile (i)	Lacoop II, S.C	Saile (i)
Other receivables	\$ 2,779	\$ 710	\$ 2,423	\$ 319
Accounts payable	(5,965)	—	(5,376)	—

- (i) Operadora de Franquicias Saile S.A.P.I. de C.V.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
Amounts in thousands of US dollars, except for share data and as otherwise indicated

25. 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)	Remeasurement/Translation	Balance at end of period
Year ended December 31, 2023:					
Deducted from assets accounts:					
Allowance for doubtful accounts (iii)	\$ 849	\$ 838	\$ (309)	\$ 62	\$ 1,440
Valuation allowance on deferred tax assets	201,414	34,029	(11,458)	(5,311)	218,674
Reported as liabilities:					
Provision for contingencies	44,839	24,893	(22,022)	2,909	50,619
Total	\$ 247,102	\$ 59,760	\$ (33,789)	\$ (2,340)	\$ 270,733
Year ended December 31, 2022:					
Deducted from assets accounts:					
Allowance for doubtful accounts (iii)	\$ 874	\$ 732	\$ (715)	\$ (42)	\$ 849
Valuation allowance on deferred tax assets	186,239	63,163	(5,453)	(42,535)	201,414
Reported as liabilities:					
Provision for contingencies	34,086	27,182	(16,224)	(205)	44,839
Total	\$ 221,199	\$ 91,077	\$ (22,392)	\$ (42,782)	\$ 247,102
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

- (i) Additions in valuation allowance on deferred tax assets are charged to income tax expense, net.

Additions in provision for contingencies are explained as follows:

Fiscal years 2023, 2022 and 2021 – Relate to the accrual of \$24,260, \$27,041 and \$22,555, respectively, and a reclassification of \$633, \$141, and \$899 during fiscal years 2023, 2022 and 2021, respectively. See Note 18 for details.

- (ii) Deductions in valuation allowance on deferred tax assets are charged to income tax expense, net.

Deductions in provision for contingencies are explained as follows:

Corresponds to the settlements amounting to \$22,022; \$16,224 and \$13,788 during fiscal years 2023, 2022 and 2021, respectively as discussed in Note 18.

- (iii) Presented in the consolidated balance sheet as follows: \$1,330, \$460 and \$542 as of December 31, 2023, 2022 and 2021, respectively, within Accounts and notes receivable, net and \$110 and \$389 and \$332 as of December 31, 2023, 2022 and 2021, respectively, within Other receivables.

Arcos Dorados Holdings Inc.

Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023
Amounts in thousands of US dollars, except for share data and as otherwise indicated

26. Subsequent events

On March 12, 2024, the Company approved a dividend distribution to all Class A and Class B shareholders of \$0.24 per share to be paid in four installments, as follows: \$0.06 per share in March 28, June 28, September 27 and December 27, 2024, respectively.

REVOLVING CREDIT FACILITY AGREEMENT NR. AGE1491494

This Revolving Credit Facility Agreement (as amended, supplemented or otherwise modified from time to time, the "**Agreement**") is made as of April 15, 2024 (the "**Execution Date**") by and between the Lender and the Borrower.

I) SUMMARY OF TERMS

(i) Lender	Itaú Unibanco S.A., Nassau Branch Poinciana House South, East Bay Street P.O. Box N-3930 Nassau, Bahamas CC: Mundostar S.A. Paraguay 2141, 18th floor, Office 1802 Montevideo, Uruguay, C.P. 11.800 At: Jorge Luis Marizcurrena Vejo
(ii) Borrower	Arcos Dorados B.V. Address: Barbara Strozzilaan 101, 1083 HN Amsterdam, the Netherlands Attention: Lucas Brizuela Telephone: +5491147112000 A private liability company (<i>besloten vennootschap</i>), incorporated under the laws of the Netherlands and registered with the Netherlands Chamber of Commerce (<i>Kamer van Koophandel</i>) with number 34115939.
(iii) Total Committed Amount	US\$25,000,000
(iv) Deposit Account	Account Number: JP MORGAN CHASE BANK NEW YORK CHASUS33XXX Account: [_____]
(v) Lender's Account	JP MORGAN CHASE BANK NEW YORK SWIFT: CHASUS33 ITAU UNIBANCO S.A NASSAU BRANCH SWIFT: CBBABSNS ACCOUNT: [_____]
(vi) Principal Payment Date	For each Loan, shall be the dates specified in the corresponding Loan Request, <u>provided</u> that the final Principal Payment Date shall be the Commitment Termination Date.
(vii) Interest Payment Date	For each Loan, shall be the Principal Payment Date specified in the corresponding Loan Request, <u>provided</u> that the final Interest Payment Date shall be the Commitment Termination Date.
(viii) Interest Period	Shall be each period of one month beginning on an Interest Payment Date and ending on the next following Interest Payment Date.
(viii) Base Interest Rate	TERMSOFR + 2.65 % (two point sixty-five percent) per annum
(ix) Step-Up Interest Rate	TERM SOFR + 4.85 % (four point eighty-five percent) per annum
(x) Commitment Fee	0.6250% per annum to be paid on July 15, 2024, October 16, 2024, January 15, 2025 and on the Commitment Termination Date.

(xi) **Guarantee**

A corporate guarantee duly executed by Arcos Dourados Comércio de Alimentos S.A.

(xii) **Structuring Fee**

US\$112,500 to be paid within 90 days as from the Execution Date.

II) WHEREAS:

1. The Borrower has requested the Lender to extend credit to the Borrower according to the terms and conditions set forth in this Agreement; and
2. The Lender is willing to extend Loans from time to time to the Borrower, subject to the terms and conditions set forth herein,

NOW THEREFORE, in consideration of the premises set forth herein the Lender and the Borrower hereby agree as follows:

SECTION 1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"**Agreement**" has the meaning given to it in the Preamble;

"**Affiliate**" means with respect to any Person, any person directly or indirectly controlling, controlled by or under common control with such Person;

"**Base Interest Rate**" has the meaning set forth in clause (viii) of the Summary of Terms above;

"**Borrower**" has the meaning set forth in (ii) Summary of Terms above;

"**Business Day**" means any day other than (i) a Saturday or Sunday or (ii) a day on which commercial banks are required or authorized by law or by local proclamation to close in New York, New York, United States of America, and the Netherlands;

"**Change of Control**" means the occurrence of one or more of the following events:

(a) 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 Arcos Dorados Holdings, Inc.;

(b) individuals appointed by the Permitted Holders cease for any reason to constitute a majority of the members of the Board of Directors of Arcos Dorados Holdings, Inc.;

(c) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of Arcos Dorados Holdings, Inc., 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 this Agreement, other than a Permitted Holder; or

(d) the approval by the holders of Capital Stock of Arcos Dorados Holdings, Inc. of any plan or proposal for the liquidation or dissolution of Arcos Dorados Holdings, Inc., whether or not otherwise in compliance with this Agreement.

"**Consolidated Total Assets**" means, as of any date of determination, the total assets shown on the Consolidated balance sheet of Arcos Dorados Holdings, Inc. and its Subsidiaries as of the most recent date for which such a balance sheet is available, determined on a Consolidated basis in accordance with GAAP, calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of business or operations by Arcos Dorados Holdings, Inc. and its Subsidiaries subsequent to such date and on or prior to the date of determination.

"**CRR**" means the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

"**Debtor Relief Laws**" means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, *recuperação judicial*, *regime de administração especial temporária*, *concurso mercantil*, *quiebra* or similar debtor relief laws of the United States of America and/or any other jurisdictions applicable to the Borrower from time to time in effect affecting the rights of creditors generally.

"**Commitment**" means the Lender's obligation to make Loans from time to time to the Borrower in an aggregate principal amount not to exceed, at any time, the Total Committed Amount;

"**Commitment Fee**" has the meaning set forth in clause (x) of the Summary of Terms above;

"**Commitment Termination Date**" means April 14, 2025 (except that, if such date is not a SOFR Banking Day, the Commitment Termination Date shall be the next preceding SOFR Business Day);

"**Default**" means an Event of Default or event or condition that, but for the requirement that time elapse, notice be given or a determination be made hereunder, or any combination thereof, would constitute an Event of Default;

"**Deposit Account**" has the meaning set forth in clause (iv) of the Summary of Terms above;

"**Disbursement Date**" means, with respect to any Loan, the SOFR Banking Day within the Revolving Availability Period on which such Loan is disbursed hereunder;

"**Documents**" means this Agreement and its Exhibits, the Notes, the Loan Requests, the Guarantee Letter and any other related document (if applicable);

"Dollars", "U.S. Dollars" and "US\$" each means the lawful currency of the United States of America;

"Economic and Trade Sanctions and Anti-Terrorism Laws" means any laws relating to economic or trade sanctions, terrorism or money laundering, including without limitation Executive Order 13224, the Patriot Act, the regulations administered by OFAC, the regulations administered by the European Union and by the United Nations, the Trading with the Enemy Act (12 U.S.C. §95), and the International Emergency Economic Powers Act (50 U.S.C. §1701-1707);

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of noncompliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, Environmental Permit, hazardous material or genetically modified organism, or arising from alleged injury or threat of injury to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, clean up, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or any third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief;

"Environmental Law" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, judgment, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety, labor conditions or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of hazardous materials;

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law;

"EU Lists" has the meaning ascribed to it in Section 9(j);

"Event of Default" has the meaning set forth in Section 11 hereof;

"Execution Date" has the meaning given to it in the Preamble;

"GAAP" means the generally accepted accounting principles in the United States of America, as in effect from time to time, consistently applied throughout the periods involved.

"Governing Documents" of any Person means the charter and by-laws (or, as it pertains to the Borrower, its articles of association), articles of incorporation or other organizational or governing documents of such Person;

"Guarantee Letter" means a corporate guarantee duly executed by the Guarantor;

"Guarantor" means Arcos Dourados Comércio de Alimentos S.A.;

"Hedging Obligations" means the obligations of the Borrower pursuant to (i) 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 to hedge interest rate risk of the Borrower, (ii) any foreign exchange contract, currency swap agreement or other similar agreement as to which the Borrower is a party designed to hedge foreign currency risk of the Borrower, or (iii) any commodity swap agreement, commodity cap agreement, commodity collar agreement, commodity or raw material futures contract or any other agreement as to which the Borrower is a party designed to manage commodity risk of the Borrower.

"Historic Term SOFR" means, in relation to the Loan the most recent applicable Term SOFR for a period equal in length to the Interest Period of the Loan and which is as of a day which is no more than one US Government Securities Business Day before the Quotation Day;

"Indebtedness" means (i) all indebtedness related to borrowed money (including, without limitation, bonds, debentures, notes, acceptance and letter of credit facilities or other instruments) or the deferred purchase price of property or services (excluding trade payable in the ordinary course of business); (ii) all guarantees to purchase or assure a creditor against loss in respect of the indebtedness of any Person; (iii) obligations as lessee which are or will be recorded as capital leases, (iv) assumed indebtedness of any Person and (v) Hedging Obligations;

"Interest Payment Date" has the meaning set forth in clause (vii) of the Summary of Terms above;

"Interest Rate" means, as the case may be, the Base Interest Rate or the Step-Up Interest Rate;

"Interpolated TERM SOFR" means, with respect to any Interest Period of the Loan, the rate per annum (rounded to the same number of decimal places as TERM SOFR), which results from interpolating on a linear basis between:

(a) either:

(i) the applicable Term SOFR (as of the Quotation Day) for the longest period (for which Term SOFR is available) which is less than the Interest Period of the Loan; and

(ii) if no such Term SOFR is available for a period which is less than the Interest Period of that Loan, SOFR for the day which is two US Government Securities Business Days before the Quotation Day; and

(b) the applicable Term SOFR (as of the Quotation Day) for the shortest period (for which Term SOFR is available) which exceeds the Interest Period of that Loan;

"Lender" has the meaning set forth in clause (i) of the Summary of Terms above;

"Lender's Account" means the Lender's account set forth in clause (v) of the Summary of Terms above or any other account as the Lender may notify the Borrower from time to time;

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing); provided that in no event shall an operating lease be deemed to constitute a Lien.

"Loan" has the meaning ascribed to it in Section 2;

"Loan Request" means the Borrower's request for each of the Loans, substantially in the form of Exhibit B hereto, executed by authorized signatories of the Borrower;

"Master Franchise Agreements" means the Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), among McDonald's Latin America, the Borrower and the other parties thereto, and the Second Amended and Restated Master Franchise Agreement, dated as of November 10, 2008 (as the same may be amended, restated, supplemented or otherwise modified from time to time), between McDonald's Latin America and the Guarantor.

"Material Adverse Effect" means a material adverse effect on (a) the business, properties, operations or financial condition of the Borrower or the Guarantor and their respective Subsidiaries, taken as a whole, (b) the ability of the Borrower and the Guarantor, taken as a whole, to pay or perform their respective obligations, liabilities and indebtedness under the Documents, or (c) the enforceability of the material obligations of any of the Borrower or the Guarantor or the rights and remedies of the Lender, in each case, under the Documents, or the validity, legality, binding effect or enforceability thereof.

"Netherlands" means the European part of the Kingdom of the Netherlands and Dutch means in or of the Netherlands.

"Non-Public Lender" means (i) until the publication of an interpretation of "public" as referred to in the CRR by the competent authority/ies: an entity which (x) assumes rights and/or obligations vis-à-vis the Borrower, the value of which is at least EUR 100,000 (or its equivalent in another currency), (y) provides repayable funds for an initial amount of at least EUR 100,000 (or its equivalent in another currency) or (z) otherwise qualifies as not forming part of the public; and (ii) as soon as the interpretation of the term "public" as referred to in the CRR has been published by the competent authority/ies: an entity which is not considered to form part of the public on the basis of such interpretation.

"Note" means the promissory note in the form of Exhibit C hereto, duly executed by authorized signatories of the Borrower, to be delivered by the Borrower to the Lender, for a principal amount equal to the principal amount of the relevant Loan;

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury;

"OFAC Lists" has the meaning ascribed to it in Section 9(j);

"Officer's Certificate" means a certificate substantially in the form of Exhibit A hereto, duly executed by an authorized managing director of the Borrower, or any other person who is authorized to represent the Borrower;

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, United States Public Law 107-56;

"Permitted Holders" means (a) any Person that is an Affiliate of Arcos Dorados Holdings, Inc. prior to an event giving rise to a Change of Control (and not established as an Affiliate in order to effect what would otherwise be a Change of Control), (b) Woods W. Staton and any Related Party of Woods W. Staton and (c) 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 (b).

"Permitted Liens" means any of the following:

- (a) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings and any Liens arising automatically by operation of law in respect of Tax;
- (b) Carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 90 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the Borrower in accordance with GAAP;
- (c) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, including any Lien securing letters of credit issued in the ordinary course of business consistent with past practice in connection therewith;
- (d) Liens incurred or deposits made to secure the performance of tenders, bids, leases, trade contracts and leases (other than Indebtedness), statutory obligations, surety and appeal bonds, customs duties, performance bonds, government performance and return-of-money bonds and other obligations of a like nature incurred in the ordinary course of business;
- (e) 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 the Borrower 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 the Borrower;
- (f) Liens securing any judgments for the payment of money not constituting an Event of Default so long as any 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;
- (g) (i) licenses, sublicenses, leases or subleases granted by the Borrower to other Persons not materially interfering with the conduct of the business of the Borrower and (ii) any interest or title of a lessor, sublessor or licensor under any lease or license agreement to which the Borrower is a party;

- (h) Liens upon specific items of inventory or other goods and proceeds of the Borrower securing the Borrower's obligations in respect of bankers' acceptances issued or created for the account of the Borrower to facilitate the purchase, shipment or storage of such inventory or other goods;
- (i) 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 the Borrower in the ordinary course of business of the Borrower;
- (j) 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;
- (k) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the applicable person, including rights of offset and set-off;
- (l) deposits in the ordinary course of business securing liability for reimbursement obligations of insurance carriers providing insurance to the Borrower and any Liens thereon;
- (m) 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 depository institution;
- (n) Liens securing the obligations of the Borrower pursuant to Hedging Obligations;
- (o) Liens securing any Indebtedness which is incurred to refinance any Indebtedness which has been secured by a Lien permitted under this definition not incurred pursuant to clause (q) or (s) hereof; provided that such new Liens:
 - (i) are no less favorable to the Lender and are not more favorable to the lienholders with respect to such Liens than the Liens in respect of the Indebtedness being refinanced; and
 - (ii) do not extend to any property or assets other than the property or assets securing the Indebtedness refinanced by such refinancing Indebtedness;
- (p) Liens securing acquired Indebtedness not incurred in connection with, or in anticipation or contemplation of, the relevant merger, consolidation or amalgamation; provided that (i) such Liens secured such acquired Indebtedness at the time of and prior to the incurrence of such acquired Indebtedness by the Borrower and were not granted in connection with, or in anticipation of the incurrence of such acquired Indebtedness by the Borrower, and (ii) such Liens do not extend to or cover any property of the Borrower other than the property that secured the acquired Indebtedness prior to the time such Indebtedness became acquired Indebtedness of the Borrower 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 Borrower;
- (q) purchase money Liens securing purchase money Indebtedness or capital lease obligations incurred to finance the acquisition or leasing of property of the Borrower used in the business of the Borrower and its Subsidiaries; provided that (i) the related purchase money Indebtedness does not exceed the cost of such property and will not be secured by any property of the Borrower other than the property so acquired and (ii) the Lien securing such Indebtedness will be created within 365 days of such acquisition;
- (r) Liens arising under any Permitted Receivables Financing;
- (s) 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 in other currencies) or (ii) 7.5% of Consolidated Total Assets;
- (t) Liens on the capital stock of any Subsidiary;
- (u) Liens existing on the date of this Agreement and any extension, renewal or replacement thereof;
- (v) Any Liens and any joint and several liability in respect of Tax, including any netting or set-off, as a result of a fiscal unity (*fiscale eenheid*) for Dutch Tax purposes; or
- (w) any security right arising under clause 24 of the general terms and conditions (in Dutch: *algemene bankvoorwaarden*) of any member of the Dutch Bankers' Association (in Dutch: *Nederlandse Vereniging van Banken*) or any similar term applied by a financial institution in the Netherlands pursuant to its general terms and conditions.

"**Permitted Receivables Financing**" means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires accounts receivable of the Borrower or any Subsidiary and enters into a third party financing thereof on terms that the board of directors of the Borrower or such Subsidiary has concluded are customary and market terms fair to such Person.

"**Person**" means any individual, corporation, partnership, trust, unincorporated organization, joint stock company or other legal entity or organization and any governmental authority;

"**Principal Payment Date**" has the meaning set forth in clause (vi) of the Summary of Terms above;

"**Proceedings**" means any suit, action or proceeding which may arise out of or in connection with this Agreement;

"**Process Agent**" has the meaning ascribed to it in Section 13.2;

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined, two US Government Securities Business Days before the first day of that period (unless market practice differs in the relevant syndicated loan market, in which case the Quotation Day will be determined by the Lender in accordance with that market practice (and if quotations would normally be given on more than one day, the Quotation Day will be the last of those days));

"**Reference Rate**" means, in relation to the Loan (a) the applicable Term SOFR as of the Quotation Day and for a period equal in length to the Interest Period of that Loan or (b) as otherwise determined pursuant to Clause 6.2 (Unavailability of Term

SOFR); provided that if the Reference Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"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.

"Restriction Lists" has the meaning ascribed to it in Section 9(j);

"Restriction List Violation" has the meaning ascribed to it in Section 10(i);

"Revolving Availability Period" means the period from and including the Execution Date to but excluding the Commitment Termination Date.

"Revolving Credit Exposure" means, at any time, the aggregate principal amount of the Loans then outstanding.

"Securitization Subsidiary" means (a) a Subsidiary that is designated a "Securitization Subsidiary" by the Board of Directors of the Borrower, (b) 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, (c) no portion of the Indebtedness or any other obligation, contingent or otherwise, of which is guaranteed by the Borrower or any Subsidiary, is recourse to or obligates the Borrower or any Subsidiary of the Borrower in any way, subjects any property or asset of the Borrower or any Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof and (d) with respect to which neither the Borrower nor any 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 (c) and (d), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

"Security" means a mortgage, charge, pledge, lien or any other security interest securing any obligation of any Person or any other agreement or arrangement having a similar effect;

"Step-Up Interest Rate" has the meaning set forth in clause (ix) of the Summary of Terms above;

"SOFR" means a rate per annum equal to the Secured Overnight Financing Rate administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of Secured Overnight Financing Rate) published by the SOFR Administrator on the SOFR Administrator's Website, provided that if SOFR screen rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement;

"SOFR Administrator" means the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate);

"SOFR Administrator's Website" means the website of the Federal Reserve Bank of New York, 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

"SOFR Banking Day" means any Business Day and, in relation to the fixing of the Interest Rate, a day which is a US Government Securities Business Day;

"Subsidiary" of any Person means any corporation, association, partnership, limited liability company or other business entity of which more than 50% (fifty percent) of the total voting power of shares of capital stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person;

"TERMSOFR" means the Term SOFR Reference Rate administered by CME Group Benchmark Administration Ltd (or any other person that takes over the administration of such rate) for the relevant period, published by CME Group Benchmark Administration Limited as displayed on the applicable Bloomberg screen page that displays such rate (or on any successor or substitute page on such screen, or on the appropriate page of such other information service that publishes such rate from time to time);

"Total Committed Amount" has the meaning set forth in clause (iii) of the Summary of Terms above;

"UN Lists" has the meaning ascribed to it in Section 9(j).

"U.S. Government Securities Business Day" means any day other than (1) a Saturday or a Sunday and (2) a day on which the Securities Industry and Financial Markets Association (or any successor organization) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US government securities.

SECTION 2. COMMITMENT; PURPOSE OF THE LOAN; DISBURSEMENT; EVIDENCE OF INDEBTEDNESS; CANCELLATION

2.1 The Lender hereby agrees, upon the terms and subject to the conditions hereof, to make revolving loans (each such loan, a "Loan") to the Borrower, from time to time on any SOFR Banking Day during the Revolving Availability Period in an aggregate principal amount that will not result in such Lender's Revolving Credit Exposure exceeding the Total Committed Amount. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Loans. Each Loan shall be made as part of a borrowing made by the Lender in accordance with its Commitment. The Commitment which, at that time, is unused shall be immediately cancelled at the end of the Revolving Availability Period.

2.2 Each Loan shall be in a minimum amount of US\$3,000,000 and integral multiples of US\$1,000,000 in excess thereof and for a minimum tenor of 30 days. More than one Loan may be outstanding at the same time.

2.3 The Borrower's obligation to pay the principal of each Loan hereunder and other amounts due hereunder, including but not limited to interest on overdue principal, shall be evidenced by a Note. As additional evidence of such indebtedness, the Lender shall maintain in accordance with its usual practice records evidencing the indebtedness of the Borrower to the Lender resulting from the Loans, including the amounts of principal and interest payable and paid to the Lender from time to time hereunder, and such records shall be conclusive and binding on the Borrower absent manifest error.

2.4 The Borrower covenants that it will use the proceeds of the Loans for corporate purposes.

2.5 The Borrower may, upon not less than 5 (five) days' irrevocable written notice to the Lender, request the Lender to cancel the undisbursed portion of all or part of the Commitment on the date specified therein. The Lender shall, by notice to the Borrower, cancel the undisbursed portion of the Commitment as of that specified date provided that the Lender has received (i) any accrued and unpaid fees and other amounts under the Documents (whether or not then due and payable), (ii) any accrued but unpaid increased costs amounts pursuant to Section 8, (iii) any applicable breakage costs attributable to any such cancellation as determined at the Lender's discretion pursuant to Section 18(b) hereof; and (iii) cancellation fee in respect of the undisbursed portion of the Loans so cancelled in an amount in Dollars equal to 2.0% (two percent) of the cancelled portion of the Commitment. Any portion of the Commitment that is cancelled under this Section 2.5 may not be reinstated or disbursed.

2.6 Unless previously terminated, the Commitment shall automatically terminate on the Commitment Termination Date.

SECTION 3. CONDITIONS PRECEDENT.

(a) The Agreement and the obligations of the Lender to make Loans hereunder shall become effective on such date the Lender shall have received each of the following documents, each of which shall be reasonably satisfactory to the Lender in form and substance:

(A) this Agreement and any other related document, in each case duly executed on behalf of the Borrower;

(B) copies of the Governing Documents of the Borrower then in force and effect;

(C) an Officer's Certificate dated the Execution Date from an authorized managing director of the Borrower, or any other person who is authorized to represent the Borrower, together with all attachments thereto;

(D) the duly executed Guarantee Letter in favor of the Lender, and granted to the Lender in form and substance reasonably satisfactory to the Lender;

(E) legal opinions at the Borrower's expense, addressed to the Lender (as of the Execution Date) and dated the Execution Date, (i) from NautaDutilh New York P.C regarding the applicable laws of the Netherlands to this Agreement and covering the points of opinion contemplated in Exhibit D, which is satisfactory to the Lender, and (ii) internal counsel of the Borrower regarding the applicable laws of Brazil to this Agreement and the Guarantee Letter, covering the points of opinion contemplated in Exhibit E, which is satisfactory to the Lender;

(F) written evidence of the appointment of the Process Agent for a term at least 6 (six) months after the final Principal Payment Date; and

(H) copies of all governmental approvals, if any, required for the making and/or maintenance of the Loan and the performance of all obligations and transactions contemplated by the Documents, and copies of all approvals and consents of all other Persons necessary, if any, for the making or maintenance of the Loan, if any.

(b) The Lender shall have no obligation hereunder to disburse any Loan, unless:

(A) the Lender has received from the Borrower, at least 3 (three) SOFR Banking Days prior to the proposed Disbursement Date all of the following documents in form and substance satisfactory to the Lender:

(i) a duly executed Loan Request with all required information for the Loan; and

(ii) the Note for the Loan, duly executed by the Borrower;

(C) the sum of the aggregate principal amount of the Loans previously borrowed hereunder, plus the aggregate principal amount of the Loans requested but not yet disbursed does not and will not, after giving effect to the Loan requested, exceed the Total Committed Amount;

(D) the Borrower shall have fulfilled any requirement of law and/or of its respective Governing Documents (if applicable) to make the undertakings by the Borrower under the Documents valid and legal acts;

(E) no change in the laws or regulations or in the interpretation thereof shall have occurred which would affect the Lender's rights with respect to any of the Documents and/or the repayment of the Loan;

(F) the requested Disbursement Date is a SOFR Banking Day within the Revolving Availability Period;

(G) as of the Disbursement Date, and both before and after giving effect to the requested Loan, no Default shall have occurred and be continuing; and
(H) the representations and warranties set forth in Section 9 hereof are true on and as of such Disbursement Date as if made on such date and both before and after giving effect to the Loan.

SECTION 4. AVAILABILITY OF THE LOAN; DISBURSEMENT; FEES.

4.1 The Lender's receipt of the Loan Request shall irrevocably oblige the Borrower to borrow the requested Loan on the Disbursement Date therein stated upon the terms and subject to the conditions contained herein.

4.2 If the conditions precedent set forth in Section 3 above have been satisfied, then the Lender will disburse the requested Loan to the Borrower on the Disbursement Date by crediting the Deposit Account on behalf of the Borrower, as specified in the Loan Request.

4.3 The Borrower agrees to pay to the Lender the Commitment Fee on the average daily unused amount of the Commitment, which shall accrue at a rate per annum equal to the Commitment Fee during the period from and including the Execution Date to but excluding the Commitment Termination Date. Accrued Commitment Fee shall be payable in the dates specified the Summary of Terms above. For purposes of computing the Commitment Fee, the Commitment shall be deemed to be used to the extent of the Revolving Credit Exposure at such time.

4.4 The Borrower will pay to the Lender the Structuring Fee within 90 days as from the Execution Date.

SECTION 5. SCHEDULED REPAYMENT.

Subject to Section 7.5 below, each Loan shall be due and, together with any other amounts due an unpaid under the Documents, repaid in full by the Borrower to the Lender in one installment on the Principal Payment Date that is specified in the relevant Loan Request, provided, however, that the entire principal amount of each Loan must be paid in full by the Commitment Termination Date.

SECTION 6. INTEREST.

6.1. Interest Rate and Payment.

6.1.1. The Borrower shall pay interest to the Lender on the outstanding principal amount of each Loan for the period from and including the Disbursement Date thereof to and excluding the due date or the date such Loan is repaid in full.

6.1.2. Each Loan shall bear interest at the following Interest Rates: (a) any Loan made on any Disbursement Date on which the Revolving Credit Exposure shall be, after giving effect to the disbursement thereof, equal to or lower than 50% (fifty percent) of the Total Committed Amount, at the Base Interest Rate; and (b) any Loan made on any Disbursement Date on which the Revolving Credit Exposure shall be, after giving effect to the disbursement thereof, higher than 50% (fifty percent) of the Total Committed Amount, at the Step-Up Rate.

6.1.3. Accrued interest shall be payable in arrears on the relevant Interest Payment Date.

6.2. Unavailability of Term SOFR.

- (a) Interpolated Term SOFR: If no Term SOFR is available for the Interest Period of the Loan, the applicable Reference Rate shall be the Interpolated Term SOFR for a period equal in length to the Interest Period of that Loan.
- (b) Historic Term SOFR: If paragraph (a) above applies but it is not possible to calculate the Interpolated Term SOFR, the applicable Reference Rate shall be the Historic Term SOFR for that Loan, provided that the TERM SOFR determined pursuant to this sentence shall be used for purposes of calculation of the Interest Rate no more than once during the period of the Loan
- (c) If the event described in (b) has already occurred once, the Reference Rate shall be, the rate to be reasonably determined by the Lender, through a written notice of such determination to the Borrower.

SECTION 7. PAYMENTS, COMPUTATION, OVERDUE INTEREST, BREAK-FUNDING COST.

7.1 The Borrower shall make each payment hereunder and under any Document delivered in connection herewith not later than 12:00 noon (New York City time) on the SOFR Banking Day when due in freely transferable and immediately available Dollars without setoff or counterclaim to the Lender at the Lender's Account. For the purposes of clarification, if funds are blocked or frozen upon receipt at such account pursuant to any Economic and Trade Sanctions and Anti-Terrorism Laws, then such funds will not constitute payment hereunder.

7.2 All computations of interest shall be made by the Lender on the basis of a year of 360 days for the actual number of days elapsed. Interest shall accrue from and including the Disbursement Date to but excluding the date the Loan is repaid in full. Anything herein to the contrary notwithstanding, the obligations of the Borrower under this Agreement and each Note shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to the Lender limiting rates of interest which may be charged or collected by the Lender and, in such event, the rates of interest shall be reduced to the maximum permitted by the applicable law.

7.3 Any amount of principal, interest or any other amount due hereunder or under any Note which is not paid when due shall bear interest from the due date thereof until the date the Lender receives payment of such amount in full at an interest rate equal to 2.0% (two percent) per annum in excess of the Interest Rate that would otherwise be applicable to the relevant Loan, payable on demand, but, only to the extent permitted by applicable law (if not permitted by applicable law, such amount shall bear interest at the maximum rate permitted by applicable law). The daily accrued amount of such interest shall be compounded and be deemed to be an additional principal amount of the relevant Loan.

7.4 Whenever any payment to be made hereunder or under any Document delivered hereunder is stated to be due on a day other than a SOFR Banking Day, such payment shall be made on the SOFR Banking Day immediately following such day in that calendar month (if there is one) or the preceding SOFR Banking Day (if there is not).

7.5 The Borrower may prepay any Loan, or any portion thereof, on any SOFR Banking Day, for which purpose it shall deliver an irrevocable notice to the Lender substantially in the form of Exhibit F, no later than 11:00 A.M., New York City time, at least 5 (five) SOFR Banking Days prior to the proposed prepayment date thereof. Prepayment of any Loan under this Section

7.5 shall be accompanied by (i) any and all accrued interest to the date of such prepayment on the outstanding principal amount of such Loan, and (ii) to the extent that such prepayment date is not an Interest Payment Date or a Principal Payment Date, any break-funding costs, as determined pursuant to Section 19(b) hereof.

7.6 If on any SOFR Banking Day for any reason the Revolving Credit Exposure at any time exceeds the Total Committed Amount then in effect, the Borrower shall, immediately upon receipt of notice thereof by the Lender, prepay the Loans pro rata in an aggregate amount equal to such excess.

SECTION 8. TAXES; INCREASED COSTS.

8.1 Any and all payments made by the Borrower hereunder or under each Note shall be made free and clear of and without deduction for any present or future taxes, levies, imposts, deductions, charges, or withholdings, and all liabilities with respect to such payments excluding (a) net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Lender as a result of a present or former connection between the Lender and the jurisdiction of the governmental authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Document), (b) Taxes assessed under the laws of The Netherlands, if and to the extent (i) such Taxes become payable as a result of the Lender having a substantial interest (*aanmerkelijk belang*) as defined in the Dutch Income Tax Act (*Wet inkomstenbelasting 2001*) in the Borrower or (ii) such Taxes are imposed pursuant to the Dutch Withholding Tax Act 2021 (*Wet bronbelasting 2021*), in effect as of the date hereof, or (c) taxes that would not have been imposed but for a failure by the Lender to comply with Section 8.5 hereof (the "**Taxes**"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under each Note, (a) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions, and (c) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

8.2 In addition, the Borrower agrees to pay any present or future stamp or documentary taxes, or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to the Documents (hereinafter referred to as "**Other Taxes**").

8.3 The Borrower will indemnify the Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Should any doubt arise as to the correctness or legality of such Taxes or Other Taxes, the Borrower shall, after duly indemnifying the Lender, be entitled to contest such correctness or legality of such Taxes or Other Taxes before the relevant taxation authority. Payment by the Borrower under this indemnification shall be made within ten (10) SOFR Banking Day from the date the Lender makes written demand therefor.

8.4 Within 20 (twenty) days after the date of any payment of Taxes or Other Taxes, the Borrower will furnish to the Lender the original or a certified copy of a receipt evidencing payment thereof.

8.5 If the Lender is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Document, the Lender shall deliver to the Borrower and the applicable withholding agent, at the time or times reasonably requested by the Borrower or such applicable withholding agent, such properly completed and executed documentation reasonably requested by the Borrower or such applicable withholding agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, the Lender, if reasonably requested by the Borrower or such applicable withholding agent, shall deliver such other documentation or information prescribed by applicable law or reasonably requested by the Borrower or such applicable withholding agent as will enable the Borrower or the applicable withholding agent to determine whether or not the Lender is subject to any withholding tax (including backup withholding) or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject the Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of the Lender.

8.6 Except with respect to Taxes or Other Taxes (which are indemnifiable under Sections 8.1, 8.2 and 8.3), if any imposition, modification or applicability of any reserve, special deposit, capital requirement, capital adequacy or other similar requirements, or change in the basis of taxation is made or imposed and the result of any of the foregoing is to increase the cost to the Lender of funding, making or maintaining the Loan or to reduce any amount to be received by the Lender with respect to any Loan, then the Borrower shall immediately pay to the Lender additional amounts in order to fully compensate the Lender for such increased cost or reduced amount. A certificate of the Lender setting forth the basis for the determination of such additional amounts necessary to compensate the Lender as provided herein shall be conclusive and binding, absent manifest error. The Borrower shall pay the Lender the amount shown due on such certificate within ten (10) Business Days after receipt thereof.

8.7 Without prejudice to the survival of any agreement of the Borrower, the agreements and obligations of the Borrower contained in this Section shall survive the payment in full of all principal, interest and other amounts hereunder or under each Note.

SECTION 9. REPRESENTATIONS AND WARRANTIES.

The Borrower hereby makes the following representations and warranties to the Lender as of the date hereof, and hereby agrees that each representation and warranty contained herein shall be deemed repeated in the Loan Request and on the Disbursement Date as if made on and as of such dates:

(a) it has been duly incorporated and validly existing as a private company with limited liability (*besloten vennootschap*) with all power and authority to conduct its business, to own its property and to execute, deliver and perform all of its obligations under the Documents;

(b) the execution, delivery and performance of the Documents are within its corporate powers, have been authorized by all necessary corporate or other action and do not contravene any existing law, regulation, rule, order, writ, judgment, injunction, decree, determination or award presently in effect and applicable to it, its Governing Documents, or any contract or other restriction binding or affecting it or its property;

(c) this Agreement has been, and each Note when delivered hereunder will have been, duly executed and delivered by the Borrower. This Agreement is, and each Note when delivered hereunder will be, legal, valid and binding obligations of, and enforceable against the Borrower in accordance with the respective terms thereof, except as enforceability may be limited by applicable Debtor Relief Laws;

(d) there are no pending or, to the knowledge of the Borrower, threatened Proceedings against or affecting the Borrower before any court, governmental agency or arbitrator, which would reasonably be expected to, in any one case or in the aggregate, materially adversely affect the financial condition, operations, property or business of the Borrower, or which purport to affect the legality, validity or enforcement of the Documents or the ability of the Borrower to perform its obligations thereunder;

(e) the payment obligations of the Borrower under the Documents rank at least *pari passu* in priority of payment with all its other senior unsecured Indebtedness, other than obligations which are preferred or otherwise have priority by operation of law;

(f) neither the Borrower nor any of its property or assets has any immunity (sovereign or otherwise) from the jurisdiction of any court or from setoff or any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of any jurisdiction;

(g) to ensure the legality, validity, enforcement or admissibility in evidence of the Documents in the Netherlands or in any New York State Court or in any U.S. Federal court sitting in the City of New York, as applicable, it is not necessary that the Documents or any other document be filed or recorded with any court or other authority in the Netherlands or with any New York State or any U.S. Federal court sitting in the City of New York, or that any court or similar tax be paid on or in respect of the Documents or that any stamp or similar tax be paid on or in respect of the Documents. The choice of New York law is enforceable against the Borrower;

(h) all licenses, approvals, authorizations and/or consents, including all governmental approvals, necessary for the execution, delivery and/or performance by the Borrower of the Documents have been obtained and are in full force and effect;

(i) the financial statements of the Borrower as of its most recent fiscal year end, copies of which have been delivered to the Lender, represent its respective financial condition as of such date in accordance with GAAP consistently applied, and since such date there has been no material adverse change in such condition;

(j) neither the Borrower nor, to the best of its knowledge, any Person holding any legal or beneficial interest whatsoever in the Borrower (whether directly or indirectly) (i) is named on the list of Specially Designated Nationals and Blocked Persons maintained by OFAC or any list of Persons issued by OFAC pursuant to Executive Order 13224 – Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as in effect on the date hereof, or any similar list issued by OFAC (the "**OFAC Lists**"), by the European Union (or any of its members) (the "**EU Lists**") or by the United Nations (the "**UN Lists**") (the OFAC Lists, the EU Lists and the UN Lists collectively, the "**Restriction Lists**"); (ii) are Persons determined by the Secretary of the Treasury of the United States, the United Nations or the European Union (or its members) to be owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the Persons referred to or described in the Restriction Lists; or (iii) have conducted business with or engaged in any transaction with any Person identified in (i) or (ii) above;

(k) there is nothing of which it is aware which would be reasonably likely to have a Material Adverse Effect on its financial condition, operations, properties or business which has not been disclosed to the Lender in writing in connection with or pursuant to the terms of this Agreement. All information supplied by the Borrower to the Lender relating to it was true and accurate in all material respects as of the date supplied, and did not as of such date, and does not as of the date hereof, in each case viewed individually or in the aggregate, omit to state any material information necessary to make the information therein contained, in light of the circumstances under which such information was supplied, not misleading;

(l) there is no Dutch stamp, registration or other or similar documentary Dutch tax, duty, impost, deduction imposed (whether by withholding or otherwise) by the Netherlands (including any political subdivision thereof) or any other governmental authority on or by virtue of the execution or delivery of this Agreement or any other document required to be delivered hereunder or thereunder;

(m) any certificate signed by any officer of the Borrower and delivered pursuant to this Agreement shall be deemed a representation and warranty by the Borrower to the Lender as to the matters covered thereby;

(n) the operations and properties of the Borrower comply in all material respects with all applicable Environmental Laws and Environmental Permits and all applicable biosafety laws, including, but not limited to, laws and regulations related to genetically modified organisms, if applicable, to their business; and

(o) no Event of Default has occurred or is continuing as of the date hereof.

SECTION 10. COVENANTS.

So long as any Revolving Credit Exposure shall remain outstanding hereunder or under any Note or the Lender shall have any Commitment hereunder to make a Loan, the Borrower will, unless the Lender shall otherwise consent in writing:

(a) comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, (i) paying when due all taxes, assessments and governmental charges imposed upon the Borrower or upon its properties except to the extent contested in good faith, (ii) obtaining and maintaining in effect all approvals or authorizations of, or registrations or filings with, any governmental authority or regulatory body which may at any time be required with respect to the execution, delivery and performance of the Documents, (iii) complying with any Environmental Laws and Environmental Permits and all applicable biosafety laws, including without limitation laws and regulations related to genetically modified organisms as applicable to its business (and cause any Person operating or occupying its properties to comply with it), and (iv) obtaining and renewing all Environmental Permits necessary for its operation and providing the Lender with copies thereof upon request;

(b) furnish to the Lender as soon as available and in any event within 120 (one hundred and twenty) days after the end of each fiscal year, a copy of its financial statements for such year certified by independent public accountants of nationally recognized standing;

(c) provide to the Lender as soon as possible and in any event within 5 (five) days after the occurrence of an Event of Default, or of an event that with the giving of notice or lapse of time or both would constitute an Event of Default, a statement signed by an authorized officer of the Borrower setting forth the details of such Event of Default or event and the action that the Borrower has taken or proposes to take with respect thereto; and such other information with respect to its business, properties or its condition or operations, financial or otherwise, as the Lender may from time to time reasonably request;

(d) maintain, preserve and keep its properties and assets which are necessary to it for the conduct of its business in good repair and working order (ordinary wear and tear excepted);

(e) preserve and maintain its corporate existence and, if applicable, good standing in the jurisdiction of its incorporation;

(f) not enter into any merger, consolidation, or amalgamation, or liquidate, wind up or dissolve or enter into any reorganization or similar restructuring, except for a merger, consolidation or amalgamation with companies that are a direct or indirect Subsidiary of the Borrower or the Borrower's current direct or indirect shareholders;

(g) not make any material change in the nature of its business or operations as carried on at the date hereof;

(h) ensure that the payment obligations of the Borrower under the Documents rank at least *pari passu* in priority of payment with all its other senior unsecured Indebtedness, other than obligations which are preferred or otherwise have priority by operation of law;

(i) (i) not knowingly conduct business with or engage in any transaction with any Person named on any of the Restriction Lists or any Persons determined by the Secretary of the Treasury of the United States pursuant to Executive Order 13224 to be owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the Persons referred to or described in the Restriction Lists or any person in sanctioned countries (as such list of sanctioned countries may be modified from time to time); (ii) if the Borrower obtains actual knowledge or receives any written notice that it or any Person holding any legal or beneficial interest whatsoever therein (whether directly or indirectly), is named on any of the Restriction Lists (such occurrence, an "Restriction List Violation"), the Borrower will immediately (A) give written notice to the Lender of such Restriction List Violation, and (B) comply with all applicable laws with respect to such Restriction List Violation (regardless of whether the party included on any of the Restriction Lists is located within the jurisdiction of the United States of America or the European Union (or any of its members)), including, without limitation, the Economic and Trade Sanctions and Anti-Terrorism Laws. The Borrower hereby authorizes and consents to the Lender taking any and all steps it deems necessary, in its sole discretion, to comply with all applicable laws with respect to any such Restriction List Violation, including, without limitation, the requirements of the Economic and Trade Sanctions and Anti-Terrorism Laws (including the "freezing" and/or "blocking" of assets); and (iii) the Borrower will (A) comply at all times with the requirements of all Economic and Trade Sanctions and Anti-Terrorism Laws, applicable economic or trade sanctions,

terrorism and money laundering laws, (B) ensure that the Lender will not be subject to any adverse consequence under any such laws applicable to the Lender as a consequence of its entry into and/or performance of the transactions contemplated by this Agreement, (C) ensure that the proceeds of the Loan will not be used to facilitate transactions involving sanctioned countries (as such list of sanctioned countries may be modified from time to time) or Persons named on any of the Restriction Lists; and (D) upon the Lender's request from time to time during the term of this Agreement, deliver a certification confirming its compliance with the covenants set forth in this Section 10(i). Any provisions in this Document relating to Economic and Trade Sanctions and Anti-Terrorism Laws shall not apply in respect of a party to the extent that it would result in that party violating, or conflicting with EU Regulation (EC) 2271/96 (or any national legislation enacted pursuant to it) or any similar anti-boycott statute applicable to that party;

(j) not enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of all or any substantial part of the assets of the Borrower;

(k) not create, incur, assume or suffer to exist any lien upon the whole or any part of its undertakings, properties, assets or revenues whether now owned or hereafter acquired (including any uncalled capital), except for any Permitted Lien;

(l) not make or permit any material changes in accounting policies or reporting practices, except as required by applicable law and generally accepted by accounting principles;

(m) (i) inform the Lender in writing as soon as reasonably practicable upon becoming aware of the same but no later than (5) five days thereafter if any new Environmental Action has been commenced or, to the knowledge of the Borrower, is threatened against the Borrower and of any facts or circumstances which will or are reasonably likely to result in any Environmental Action being commenced or threatened against the Borrower and shall provide the Lender with an action plan describing all steps that should be taken in order to dismiss such Environmental Action or remedy such facts or circumstances, and (ii) make adequate reserves for such Environmental Action whether or not commenced;

(o) promptly furnish to the Lender such other information with respect to its business, properties or its condition or operations, financial or otherwise, as the Lender may from time to time reasonably request.

SECTION 11. EVENTS OF DEFAULT.

If any of the following events (each an "Event of Default") shall occur:

(a) the Borrower shall fail to pay when due (by acceleration or otherwise) in accordance with the terms of the Documents (i) the principal of any Loan due and payable hereunder or under any Note or (ii) any interest, fee or any other amount due and payable hereunder or thereunder within five (5) days after any such amount becomes due in accordance with the terms thereof; or

(b) any representation or warranty made by the Borrower or the Guarantor (or any of their respective officers or agents) under or in connection with the Documents or in any certificate, agreement, document or statement delivered hereunder or thereunder, shall prove to have been false, incorrect or misleading in any material respect when made or deemed to have been made; or

(c) the Borrower or the Guarantor, as applicable, shall fail to perform or observe any other term, covenant or agreement contained in the Documents to which each is a party and such default shall continue unremedied for a period of 30 days after the Borrower's or the Guarantor's receipt, as applicable, of written notice thereof from the Lender; or

(d) any governmental or other authorization or approval necessary to enable the Borrower to comply with any of its obligations under the Documents shall be revoked, withdrawn or withheld or shall otherwise fail to be issued or remain in full force and effect and such default shall not be remedied within thirty (30) days of the date of such occurrence; or

(e) any material provision of the Documents shall for any reason cease to be valid and binding on the Borrower or the Guarantor, or the Borrower or the Guarantor shall so state in writing, in each case, as applicable; or

(f) it is or will become unlawful for the Borrower or the Guarantor to perform or comply with any one or more of their material obligations under the Documents to which each is a party; or

(g) the Borrower or the Guarantor, as the case may be, shall fail to maintain its respective good standing (if applicable) and existence as a corporation validly organized and existing under the laws of their respective jurisdiction of incorporation; or

(h) the Borrower or the Guarantor, as the case may be, shall (i) fail to pay any Indebtedness having an aggregate principal amount in excess of U.S.\$40,000,000 for which it is liable, whether contingently or otherwise, as obligor, guarantor or otherwise, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any such agreement or any agreement or instrument relating to any such Indebtedness, when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure to perform or observe is to cause that any such Indebtedness shall be declared due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), in each case prior to the stated maturity thereof; or

(i) the aggregate amount of unsatisfied judgments, decrees or orders for the payment of money against the Borrower or the Guarantor, as the case may be, equals or exceeds 1% (one percent) of its respective net worth; or

(j) there is a Change of Control; or

(k) the Borrower or the Guarantor shall: (i) generally not, or be unable to, or shall admit in writing their inability to, pay their debts as such debts become due; (ii) make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver, trustee or other similar official for it or any substantial part of their assets; (iii) commence any proceeding under any bankruptcy, insolvency, judicial reorganization, extra judicial reorganization, arrangement,

readjustment of debt, dissolution, winding-up or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; (iv) have had any such petition or application (as described in (ii) above) filed or any such proceeding (as described in (iii) above) shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding is not dismissed within 60 (sixty) days of such filing or commencement; or (v) by any act or omission indicate their consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of their property; or

(l) any competent authority shall declare a moratorium on the payment of Indebtedness by the Borrower or the Guarantor, or shall take any measure which has the effect of prohibiting, preventing or delaying the remittance of Dollars by the Borrower or the Guarantor to the Lender or the convertibility of local currency to Dollars; or

(m) (i) any step is taken by any government agency or any Person acting or purporting to act under authority of any government (de jure or de facto) with a view to the seizure, compulsory acquisition, custody, control, expropriation or nationalization of all or a material part of the assets or shares of the Borrower or the Guarantor or (ii) all or any substantial part of the assets of the Borrower or the Guarantor shall be condemned, seized or otherwise expropriated, or custody or control of such property shall be assumed by any Person or agency acting or purporting to act under authority of any government (de jure or de facto); or

(n) any Master Franchise Agreement is terminated or for any reason ceases to be valid and binding on any of the parties thereto, or the Borrower or the Guarantor so states in writing, as the case may be,

then, (i) if such Event of Default occurs under Section 11(k) above, then the Lender's Commitment to make Loans shall automatically terminate, and each Note, the aggregate outstanding principal amount of each Loan and all other amounts payable under this Agreement and the Documents shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, and (ii) if such Event of Default occurs under any other clause of Section 11 above, then the Lender may by notice to the Borrower (A) terminate its Commitment to make Loans and/or, as the case may be, (B) declare each Note and the aggregate outstanding principal amount of each the Loan and all other amounts payable under this Agreement and the Documents to be forthwith due and payable, whereupon each Note, each Loan and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower. Notwithstanding any other rights the Lender may have under any applicable law and hereunder, the Borrower agrees that upon the occurrence of an Event of Default, the Lender shall have the right to set-off and/or apply any of the property of the Borrower held by the Lender or thereafter coming into the Lender's possession (including account balances) to a reduction of the obligations of the Borrower hereunder and under the Notes in such order as the Lender may deem appropriate.

SECTION 12. GOVERNING LAW.

The Documents shall be governed by and construed in accordance with 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 Borrower agrees that any judgment against the Borrower of a State or Federal court sitting in the State of New York may be enforced against the Borrower in the courts of Netherlands in the manner provided under Dutch law.

SECTION 13. CONSENT TO JURISDICTION; SERVICE OF PROCESS.

13.1 The Borrower hereby irrevocably submits to the non-exclusive jurisdiction of any New York State or U.S. Federal court sitting in the City of New York in any Proceeding and irrevocably agrees that a final judgment in any Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Borrower represents, warrants and covenants that the submission of the Borrower to the jurisdiction of the courts referred to herein does not contravene the law of Netherlands.

13.2 The Borrower hereby irrevocably appoints National Registered Agents, Inc., currently having an address at 28 Liberty Street, New York, NY 10005, United States of America (the "**Process Agent**"), as its agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents which may be served in any Proceeding in 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 in respect of this Agreement and agrees that service in such manner shall, to the fullest extent permitted by law, be deemed effective service of process upon it in any such suit, action or proceeding. The Borrower further agrees that failure by a Process Agent to notify it of any process will not invalidate the relevant Proceeding. If for any reason such Process Agent shall cease to be available to act as such, the Borrower agrees to designate a new Process Agent in the City of New York, on the terms and for the purposes of this provision, provided that the new Process Agent shall have accepted such designation in writing before the termination of the appointment of the prior Process Agent. The Borrower irrevocably consents to the service of process in any Proceeding by the mailing of copies of such process to the Borrower at its address specified pursuant to Section 20 hereof.

13.3 This Section 13 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking Proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent Proceedings in any number of jurisdictions.

13.4 Nothing in this Agreement shall affect the right of the Lender to serve legal process in any other manner or method permitted by law or affect its right to bring any Proceeding against the Borrower or its property in the courts of any other jurisdiction.

SECTION 14. DOLLAR LOAN AND JUDGMENT

This is an international finance transaction in which the specification of payment in Dollars is of the essence. Dollars shall be the currency of account and of payment in all events, except as otherwise specifically set forth herein. The Borrower's obligations hereunder to make payments in Dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than Dollars, except to the extent that such tender or recovery results in the effective receipt by the Lender of the full amount of Dollars expressed to be payable to the Lender under this Agreement. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency (and such conversion rate or methodology is not otherwise specified herein for such circumstances), the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Lender could purchase Dollars with such other currency on the SOFR Banking Day preceding that on which final, non-appealable judgment is given. The obligation of the Borrower in respect of any sum due hereunder shall, notwithstanding any judgment in currency other than Dollars, be discharged only to the extent that on the SOFR Banking Day following receipt by the Lender of any sum adjudged to be so due in such other currency, the Lender may, in accordance with normal, reasonable banking procedures, purchase Dollars with the amount of the judgment currency so adjudged to be due. If the amount of Dollars so purchased is less than the sum originally due to the Lender in Dollars, the Borrower agrees, as a separate and independent obligation of the Borrower, to indemnify the Lender against such loss. If the amount of Dollars so purchased is greater than the sum originally due to the Lender in Dollars, the Lender agrees to repay such excess to the Borrower.

SECTION 15. RIGHT TO SET-OFF

15.1 Upon the occurrence and during the continuance of any Event of Default, the Lender and any of its Affiliates are hereby authorized at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower), to the fullest extent permitted by law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final), at any time held and other indebtedness at any time therefore owing by the Lender or any of its Affiliates to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, each Note and the Documents, irrespective of whether or not the Lender shall have made any demand under this Agreement and although such obligations may be unmaturing. The Lender agrees to notify the Borrower promptly after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Lender may have.

15.2 The Borrower hereby authorizes the Lender and any of its Affiliates, if and to the extent payment is not made when due hereunder, to charge from time to time against any or all of the Borrower's accounts with the Lender or any of its Affiliates any amount so due even if such charge causes any such accounts to be overdrawn. The Lender is hereby authorized to deliver a copy of this Agreement to any of its Affiliates for the purposes described in this Section 15.

15.3 For the purpose of determining, if necessary, the currency equivalent of the amount of any deposit or indebtedness that shall be set-off and applied against any and all obligations of the Borrower hereunder or that may be charged against any or all of the Borrower's accounts with the Lender or any of its Affiliates the method of determination shall be that which, in accordance with normal banking procedures, will be necessary to purchase with such other currency, in the City of New York, the amount of Dollars that the Borrower has so failed to pay when due. For such purposes, the Borrower hereby irrevocably appoints the Lender as its attorney-in-fact to buy foreign currency by means of a foreign exchange transaction.

SECTION 16. WAIVERS BY BORROWER

The Borrower hereby irrevocably waives the defense of an inconvenient forum to the maintenance of any Proceeding in any New York State or U.S. Federal court sitting in The City of New York and irrevocably waives, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue of any Proceeding in any such court. The Borrower hereby irrevocably and unconditionally waives and agrees not to plead or claim any immunity in respect of its obligations under the Documents, including for purposes of the U.S. Foreign Sovereign Immunities Act. The Borrower hereby waives any rights it may have to require the Lender to proceed against either the Borrower, or any other Person, to proceed against or exhaust any deposit or any other security held by the Lender, or to pursue any other remedy available to the Lender.

SECTION 17. ASSIGNMENTS

17.1 This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto, provided that the Borrower shall not have the right to assign, transfer or participate its rights and/or obligations hereunder or any interest herein without the prior written consent of the Lender. The Lender may assign or transfer all or any part of its rights, benefits and obligations or any interest herein and in respect of each Note hereunder, with the prior written consent of the Borrower (such consent not to be unreasonably withheld or delayed), except that no such consent shall be required to the extent that such assignment or transfer is to an Affiliate of the Lender or is made during the occurrence and continuance of an Event of Default. Notwithstanding the foregoing, any assignment, transfer of, or participation in, all or any part of the rights, benefits and obligations or any interest herein and in respect of each Note hereunder of the Lender or any

of its successors, shall only be permitted to or by a Non-Public Lender. Promptly upon the consummation of any assignment or transfer of all or any part of any Loan, the Borrower shall make appropriate arrangements so that replacement Notes are issued to such transferor, if applicable, and the transferee, in each case in principal amount reflecting the principal amount of the Loans so transferred; provided that any original Notes which have been replaced have been returned to the Borrower marked "cancelled". Any expenses payable in connection with any issue of substitute Notes shall be borne by the Lender other than those arising pursuant to a transfer made during the occurrence and continuance of an Event of Default, which shall be borne by the Borrower.

17.2 The Borrower hereby authorizes the Lender to disclose information relating to the Borrower, its Affiliates and/or the transactions contemplated hereby to any actual or potential participants, transferees and/or assignees, if the Lender deems such disclosure necessary, provided that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential.

SECTION 18. COSTS AND EXPENSES.

The Borrower hereby agrees to pay to the Lender, within 10 (ten) days of written request by the Lender (a) all costs and expenses (including without limitation reasonable counsel fees and expenses) in connection with (i) the preparation of the Documents, and (ii) the enforcement of the Documents or any other documents related hereto or arising herefrom, or preservation of any rights of the Lender thereunder; and (b) all reasonable losses or expenses (including, without limitation, any loss suffered as a result of re-employing deposits acquired by the Lender for the purpose of funding any Loan at a rate of return lower than the cost of acquiring the deposits or any expense incurred by the Lender in liquidating the deposits) incurred as a consequence of the Borrower's (i) revocation of the Loan Request after it has been delivered to the Lender; (ii) failure to borrow a Loan after delivery of the Loan Request therefor, (iii) failure to pay any amount payable hereunder or under any Note as and when due, or (iv) making any payment of principal of any Loan other than on the Principal Payment Date for such Loan.

SECTION 19. AMENDMENTS.

Any amendment, modification, termination or waiver of any provision of the Documents or of any other documents or instruments, or consent to any departure by the Lender or the Borrower therefrom, shall only be effective if in writing and signed by the parties hereto.

SECTION 20. NOTICES.

All notices and other communications under the Documents shall be in writing and addressed or sent as set forth in the Summary of Terms or to such other address, telex, or fax numbers as any party hereto may from time to time designate. All such notices shall be effective, if hand-delivered upon delivery, or if mailed, when received or if faxed or telexed, when transmitted.

SECTION 21. GENERAL PROVISIONS.

(a) Severability. Any provision herein that is prohibited or unenforceable in any jurisdiction shall be ineffective only to the extent of such prohibition or non-enforcement without invalidating the remaining provisions hereof or affecting the validity or enforcement of such provision in any other jurisdiction.

(b) Survival. All covenants, agreements, representations and warranties of the Borrower made herein or in any other Document or instrument delivered pursuant hereto shall continue in full force and effect so long as any amounts due to the Lender hereunder or under any Note remain unpaid notwithstanding any investigation heretofore or hereafter made by the Lender, and the Lender shall not be deemed to have waived, by reason of making the Loan, any Event of Default which may arise by reason of any representation or warranty proving to have been false or misleading on the date made or reaffirmed, as the case may be, notwithstanding that the Lender may have had notice or knowledge or reason to believe that such representation or warranty was false or misleading at the time the Loan was made. In addition, the obligations of the Borrower under Section 8 (Taxes; Increased Costs), Section 9 (Representations and Warranties), Section 13 (Consent to Jurisdiction; Service of Process), Section 18 (Costs and Expenses) and Section 21(c) (Indemnification) shall survive the repayment of the Loans, the cancellation of the Notes and the termination of the other obligations of the Borrower hereunder.

(c) Indemnification. The Borrower agrees to hold the Lender and its officers, directors, shareholders, employees, agents, servants, correspondents and their respective successors and assigns indemnified against and harmless from any and all claims, liabilities, costs, losses or damages, including reasonable counsel fees, in any way arising from or in connection with or related to any of the transactions contemplated hereby or any other Document or instrument related hereto, except to the extent such claims, liabilities, costs, losses or damages are determined by the final and non-appealable judgment of a court of competent jurisdiction to specifically have been directly caused by the gross negligence or willful misconduct of the Person to be indemnified. The Borrower shall indemnify the Lender against any claims, liabilities, costs, losses or damages which arise from any variation in rates of exchange between the currency in which such amount was due and the currency in which any judgment is obtained or enforced between the date of the said amount becoming due (or the date of the said judgment being obtained as the case may be) and the date of actual payment thereof. The Borrower also agrees not to assert any claim against the Lender, any of its Affiliates, or any of its officers, directors, shareholders, employees, attorneys and agents, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to this Agreement, any of the transactions contemplated hereby or the actual or proposed use of the proceeds of the Loan. This Section 21.1(c) shall not apply to Taxes or Other Taxes, which shall be indemnified pursuant to Section 8.3, other than any Taxes or Other Taxes that represent claims, liabilities, costs, losses or damages arising from any non-tax claim.

(d) Tax Risks. Without prejudice to Section 8 of this Agreement, the Borrower represents that it has conducted its own independent review of the tax laws and regulations applicable to this Agreement, the Loans and the Documents, and in evaluating such risks and making their decision to enter into this Agreement, it has obtained such professional advice as it has deemed appropriate in the circumstances and is aware of, understands and assumes the risks relating to the taxation of this Agreement, the Loans and the Documents.

(e) Section Headings. The section headings and captions appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

(f) Illegality. If the Lender determines at any time that any applicable law, rule, regulation or treaty or change therein or in the interpretation or application thereof makes or will make it unlawful for the Lender to fulfill its commitment to make or maintain any Loan hereunder, to maintain the Agreement or to claim or receive any amount payable hereunder, the Lender shall give notice of such determination to the Borrower whereupon the obligations of the Lender hereunder shall terminate and the Borrower, immediately upon receipt of such notice, shall prepay in full the then Revolving Credit Exposure together with accrued interest thereon. Prepayment pursuant to this Section shall be made without premium but together with interest accrued thereon to the date of prepayment.

(g) Cumulative Rights; No Waiver. The rights and remedies provided herein are cumulative and not exclusive of any other remedies provided by law. No failure or delay on the part of the Lender in exercising any right, power or remedy hereunder shall operate as a waiver or novation, nor shall it prevent the Lender from exercising such right, power or remedy at any time in the future.

(h) Notices and Demands. The Lender shall be under no duty or obligation to the Borrower whatsoever to make or give any presentment, demand for performance, notice of non-performance, protest, notice of protest, or notice of dishonor in connection with any Document or the Loan or any agreement, document or instrument relating to any of the foregoing.

(i) Waiver of Jury Trial. EACH OF THE BORROWER AND THE LENDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES (TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE DIRECTLY OR INDIRECTLY ARISING UNDER OR RELATING TO ANY DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREBY AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY. EXCEPT AS PROHIBITED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHTS IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES.

(j) Patriot Act. The Lender hereby notifies the Borrower that pursuant to the requirements of the Patriot Act it may be required to obtain, verify and record information that identifies the Borrower, including the name and address thereof and other information that allows the Lender to identify the Borrower in accordance with the Patriot Act. The Borrower shall provide such information and take such actions as are requested by the Lender to comply with the Patriot Act.

(k) Acknowledgement. The Borrower hereby acknowledges that (a) it has been advised by counsel in the negotiation, execution and delivery of the Documents; and (b) the Lender does not have a fiduciary relationship to the Borrower, and the relationship between the Lender, on the one hand, and the Borrower, on the other hand, is solely that of creditor and debtor.

(l) Counterparts. This Agreement or any amendment may be executed in separate counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(m) Entire Agreement. This Agreement, the other Documents and the other documents delivered or entered into in connection with the foregoing constitute the entire agreement between the parties hereto regarding the subject matter hereof and supersede all prior agreements, both written and oral, between the parties.

(n) Disclosure and Consent to Share Information. The Borrower is aware that the Lender or any of the Lender's Affiliates, at any time and on an irrevocable and irreversible basis, even after termination of this operation, may be required by laws or regulations of different jurisdictions to provide records and information, including financial, relating to the Borrower and this Agreement and the transactions relating hereto. The Borrower hereby irrevocably authorizes the Lender to disclose to any of the Lender's affiliates, governmental or regulatory agencies, tax, customs or judicial or arbitral authorities, any rating agency, auditor, insurance or reinsurance broker, professional advisor, insurer and/or reinsurer any such information and any information relating to the Borrower and/or its Affiliates, and whoever else has legitimate access to the transaction, in any jurisdiction that so requires if the Lender deems such disclosure to be necessary or advisable in carrying out its duties, obligations, commitments or activities, or for the purpose of its asset, liability or risk management policies, or as may be required by law, regulation or judicial, arbitral or administrative process. The Borrower is aware that the Lender or any of the Lender's Affiliates may obtain, directly or indirectly, funding with any third parties, and the Lender and/or any of the Lender's Affiliates are authorized to provide to such third parties information and records relating to this Agreement and the transactions relating hereto. The Lender and any of its Affiliates are hereby expressly and irrevocably authorized by the Borrower, and hence expressly relieved from its bank secrecy obligations, to (i) exchange any document (including corporate documents) received from the Borrower (or any third party acting on behalf of the Borrower), and the Borrower take responsibility for the accuracy, reliability and completeness of the information contained in their respective documents; (ii) exchange information about any transaction that the Borrower have performed or will perform; and (iii) use the name and/or trademark logo, or refer to or identify the transactions contemplated in this Agreement in advertising, publicity releases, or promotional or marketing events, initiatives and publications or correspondence to others in respect to the entering into and performance of any transactions contemplated in this Agreement.

(o) Language. This Agreement and any other document relating hereto shall be in English. Should this Agreement be translated and delivered in a language other than English, the English version shall prevail in the event of any conflict.

(p) Antibribery. The Borrower shall maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, its subsidiaries and its and their respective directors, officers, employees and agents with all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption ("**Anti-Corruption Laws**"), in particular Law No. 12.846/13, the FCPA Foreign Corrupt Practices Act and the UK Bribery Act. The Borrower shall not use, and shall procure that its subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Loan in any manner that would result in violation of any Anti-Corruption Laws.

(q) Digital and Electronic Signature. The parties acknowledge that this Agreement may, at the parties discretion, be signed digitally and/or electronically in accordance with the current legislation, and acknowledge that, including when signed in these formats, this Agreement is valid, authentic, legitimate and effective for all lawful purposes. The parties also recognize that any divergence between the date of this Agreement and the date that appears in the indicative elements of its electronic or digital formalization exists only due to formal procedures, being valid, for all legal purposes and to regulate all of the events of this Loan, the dates registered in the Agreement itself.

(r) Non residency or operations in the Bahamas. The Borrower hereby certifies that it is not, and none of its legal representatives is, a resident of the Bahamas ("Bahamian Non-resident"). For the avoidance of doubt, shall be considered as Bahamian Non-resident(s): (i) non-Bahamian citizens (except permanent residents with the right to engage in employment); (ii) entities owned by non-Bahamian citizens; and (iii) Bahamian foreign-owned companies that do business exclusively outside the Bahamas and in cases of partnership and trusts, a trust or partnership that does not do business in The Bahamas. The Borrower further certifies that it: (i) does not operate or conduct business locally in the Bahamian economy, nor with Bahamian residents, (ii) does not generate any income in Bahamian dollars, and (iii) is held only by non-Bahamian residents.

(s) Power of Attorney. If a party to this Document is represented by an attorney or attorneys in connection with the execution of this Document or any agreement or document pursuant hereto, and the relevant power of attorney is expressed to be governed by Dutch law, such choice of law is hereby accepted by the other party in accordance with article 14 of the Hague Convention on the Law Applicable to Agency of 14 March 1978.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

Arcos Dorados B.V. (Borrower)

By: /s/ Marcelo Rabach
Name: Marcelo Rabac
Title: Director of Arcos Dorados Holdings Inc
Arcos Dorados Holdings Inc. – Director A

By: /s/ Digna van der Pol
Name: Dignata Irene van der Po
Title: Director

ITAUUNIBANCO S.A., NASSAU BRANCH (Lender)

By: /s/ Name: Paula Espindola
Name: Name: Paula Espindola

By: /s/ Jorge Marizcurrena
Name: Jorge Marizcurrena

EXHIBIT A

FORM OF THE OFFICER'S CERTIFICATE
(Borrower's letterhead)

[date]

To
Itaú Unibanco S.A., Nassau Branch
Paraguay 2141, 18th floor, Office 1802
Montevideo, Uruguay, C.P. 11.800
At: Jorge Luis Marizcurrena Vejo

I refer to the Revolving Credit Facility Agreement Nr. ____ (as it may be amended, varied, novated, supplemented or otherwise modified from time to time, the "**Loan Agreement**") dated as of _____, 20__ between _____ as Borrower and **Itaú Unibanco S.A., Nassau Branch** as the Lender. Capitalized terms used herein unless otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

I am a _____ [title] _____ of the Borrower and, pursuant to Section 3(a)(iii) of the Loan Agreement, hereby certify in this certificate (this "**Certificate**") as follows:

- (1) I am duly authorized to give this Certificate.
- (2) Powers: Attached as Annex I to this Certificate are true, complete and up-to-date copies of the Governing Documents of the Borrower as in effect on the date hereof and on the date of the Borrower's execution and delivery of the Documents and as last amended or modified on _____. The Borrower is carrying on a business authorized under its Governing Documents. Neither the entry into the Documents nor the execution and delivery of the Note by the Borrower, nor the exercise of its rights and/or performance of or compliance with its obligations under the Documents does or will violate, or exceed any borrowing or other power or restriction granted or imposed by, its Governing Documents.
- (3) Due Execution: Attached as Annex II to this Certificate is an Incumbency Certificate dated as of _____, executed by the [general counsel/secretary] of the Borrower containing a list of the names and titles, and specimen of the signatures, of the persons who are at the date of this Certificate officers of the Borrower or attorneys-in-fact of the Borrower/ and who (either individually or with others, as provided in the [Resolutions/Governing Documents]¹) are authorized, on behalf of the Borrower, to sign the Documents and are authorized to give all communications and take any other action required under or in connection with the Documents on behalf of the Borrower.
- (4) Due Authorization: [Use this bracketed alternative if the Governing Documents require approval of the Board of Directors/shareholders and delete the other alternative: Attached as Annex III to this Certificate is a true and complete certified copy of the minutes (including, if the same is not in the English language, an accurate English translation thereof) of a duly convened meeting of its [board of directors, shareholders, members etc]² duly held on _____, 20__, at which a duly constituted quorum was present and voting throughout and at which the resolutions set out in the minutes were duly passed and adopted (the "Resolutions"). Each of the Resolutions remains in full force and effect and has not been amended, modified, revoked or rescinded. The Resolutions constitute all action necessary on the part of the Borrower to approve the execution and delivery by the Borrower of the Documents, the borrowings thereunder and the performance by the Borrower of its obligations thereunder.] [Use this bracketed alternative if the Governing Documents do not require approval of the Board of Directors/shareholders and delete the other alternative: The Governing Documents of the Borrower provide all authorizations necessary for the Borrower to execute, deliver and perform the Documents to which it is a party, and no further action is necessary for the Borrower to execute, deliver and perform the Documents to which it is a party.]

¹ Choose as appropriate

² Insert the relevant corporate body (Board of Directors, Executive Committee) or other group (such as shareholders), as appropriate, if this bracketed clause is applicable

- (5) Default: No Default has occurred and is continuing as of the date of this Certificate.
- (6) Covenants and Representations and Warranties: As of the date hereof the Borrower is in full compliance with all covenants under the Documents that are applicable to it and all representations and warranties of the Borrower contained in the Documents and any certificates, statements or other documents delivered pursuant thereto are true and correct as of this date.

Name:
Title:

ANNEX I TO EXHIBIT A

COPIES OF THE GOVERNING DOCUMENTS OF THE BORROWER

ANNEX II TO EXHIBIT A

FORM OF THE INCUMBENCY CERTIFICATE
(Borrower's letterhead)

I refer to Revolving Credit Facility Agreement Nr. ____ (as it may be amended, varied, novated, supplemented or otherwise modified from time to time, the "Loan Agreement") dated as of _____, 20__ between _____ as Borrower, and **Itaú Unibanco S.A., Nassau Branch** as the Lender. Capitalized terms used herein unless otherwise defined herein shall have the meanings assigned to them in the Loan Agreement.

The undersigned certifies that he is the [General Counsel/Secretary] of the Borrower (the "Company"), and that, as such, he is authorized to execute this Certificate on behalf of the Borrower and further certifies that the following are the names, offices and true and genuine specimen signatures of the persons each of whom are authorized, on behalf of the Borrower to sign the Documents and are authorized to give all communications and take any other action required under or in connection with the Documents on behalf of the Borrower:

Name	Office	Signature
------	--------	-----------

_____	_____	_____
-------	-------	-------

You may assume that each such person continues to be so authorized until you receive authorized written notice that they, or any of them, are no longer so authorized.

IN WITNESS WHEREOF, I have hereunto executed this certificate as of the date set forth below.

Dated: ____ __, 20__

Name:
Title: [General Counsel/Secretary]

* Signatures of the officers who will sign the Agreement and the Promissory Note. Shall NOT be the signatory of the Incumbency Certificate.

** IMPORTANT: The signatory of the Incumbency Certificate MUST NOT certify his/her own signature (i.e. the Transaction Documents must not be signed by the signatory of the Incumbency Certificate). **

ANNEX III TO EXHIBIT A

COPIES OF THE MINUTES OF BOARD OF DIRECTORS OF THE BORROWER

EXHIBIT B

FORM OF THE LOAN REQUEST
(Borrower's letterhead)

(Date)

To
Itaú Unibanco S.A., Nassau Branch
Paraguay 2141, 18th floor, Office 1802
Montevideo, Uruguay, C.P. 11.800
At: Jorge Luis Marizcurrena Vejo

Re: Loan Request under the Revolving Credit Facility Agreement Nr. [] between Itaú Unibanco S.A., Nassau Branch (*Lender*) and [] (*Borrower*) dated as of [] for up to US\$ [] ([] U.S. Dollars) (the "Agreement").

Dear Sir/Madam:

Pursuant to Section 3(a)(v) of the above-mentioned Agreement and subject to the conditions under the Documents, we hereby request the following Loan:

1. Amount: US\$ [] ([] U.S. Dollars)
2. Interest Rate: [Base Interest Rate / Step-Up Interest Rate]
2. Disbursement Date: []
3. Principal Payment Date: []
4. Interest Payment Date: []

Please credit the amount of the Loan to the Deposit Account, as specified in Summary of Terms, pursuant to the Agreement, under advice to us.

We confirm that, on the date hereof, the representations and warranties set forth in the Agreement are true and that no Default has occurred or will result from the disbursement of the Loan requested hereby.

Capitalized terms used herein shall have the same meanings given to them in the Agreement.

Sincerely,

By **[BORROWER]**

Name: Name:
Title: Title:

EXHIBIT C

FORM OF THE PROMISSORY NOTE

Amount: US\$[_____]

(Date)

FOR VALUE RECEIVED, the undersigned, [____], a [____] organized and existing under the laws of [____], with its principal offices located at [____] (the "**Borrower**"), **HEREBY IRREVOCABLY AND UNCONDITIONALLY PROMISES TO PAY** to the order of **Itaú Unibanco S.A., Nassau Branch** (the "**Lender**"), the principal sum of US\$ [____] ([____] U.S. Dollars) on [____]. The Borrower also promises to pay interest on the outstanding principal amount hereof from the date hereof until such principal amount has been paid in full at a [____] interest rate per annum. Wherever used in this Note, unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Agreement (as defined below).

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 [____], in JP Morgan Chase Bank (New York), in favor of **Itaú Unibanco S.A., Nassau Branch**, or such other account of the Lender as notified to us in writing, free and clear of, and without deduction for, any and all present and future taxes, levies, imposts, charges and withholdings whatsoever.

In the event the principal amount of this 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 an interest rate equal to 2.0% (two percent) per annum in excess of the interest rate that would otherwise be applicable hereto.

Upon and during the continuation of an Event of Default (as defined in the Agreement), the unpaid principal balance of the Loan evidenced by this Note may be declared, and immediately shall become, due and payable without demand, notice or legal process of any kind.

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 of any holder of this 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 Note is a Note referred to in Revolving Credit Facility Agreement Nr. [], dated as of [____], between the Lender and the Borrower, as amended, supplemented or otherwise modified from time to time (the "**Agreement**"), which among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain stated events therein specified.

This 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 the Agreement.

EACH OF THE BORROWER AND THE LENDER BY ITS ACCEPTANCE HEREOF, VOLUNTARILY AND INTENTIONALLY WAIVES (TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE DIRECTLY OR INDIRECTLY ARISING UNDER OR RELATED TO THIS NOTE OR ANY TRANSACTION CONTEMPLATED HEREBY AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

By [BORROWER]

Name: Name:
Title: Title:

EXHIBIT D

POINTS OF [] OPINION

1. The Borrower is a [] duly organized and validly existing under the laws of [].
2. The Borrower has all requisite power and authority to own and operate its property and conduct its business.
3. The Borrower has the power and authority to execute and deliver each of the Documents to which it is a party and to perform its obligations under each such Documents and all necessary corporate, shareholder and other action required by the constitutional documents of the Borrower and/or [] law has been taken to authorize the execution, delivery and performance of the Documents.
4. The execution, delivery and performance by the Borrower of each of the Documents to which it is a party, and the consummation of the transactions contemplated thereby, have been duly authorized by all necessary corporate action (when applicable), and do not contravene its by-laws, if any, nor violate any law, rule or regulation to which it is subject.
5. Each of the Documents has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower, enforceable against each the Borrower in accordance with its terms.
6. The Documents are in proper legal form under the laws of [] for the enforcement thereof in accordance with their terms against the Borrower.
7. Neither the Borrower nor any of its assets is entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding in [] to enforce or collect upon the Documents or any liability contemplated thereby or in connection therewith (including, without limitation, immunity from services of process, immunity from jurisdiction or judgment of any court or tribunal, immunity from execution of a judgment and immunity of its property from attachment prior to any entry of judgment or from attachment in aid of execution of a judgment).
8. No consents, authorizations, licenses or approvals of, or registration with or declarations to any governmental or public bodies or authorities or courts are required by the Borrower to authorize, or required by the Borrower in connection with the execution, delivery, validity, enforceability or admissibility in evidence of the Documents or the performance by the Borrower of its obligations under the Documents.
9. The choice of the laws of the State of New York to govern the Agreement is, under the laws of [], a valid and effective choice of law, and a court of [] would give effect to such choice of law in any action, suit or proceeding arising out of, or otherwise relating to, the Agreement.
10. The submission by the Borrower to the non-exclusive jurisdiction of any New York State or U.S. Federal court sitting in the City of New York, and any appellate court from any thereof, are valid and effective under the laws of [] and are irrevocably binding on the Borrower.
11. The appointment of an agent authorized to receive service of process on its behalf in connection with the Agreement in New York, are legal, valid and binding under the laws of [].
12. The obligations of the Borrower with respect to the Lender under each Document constitute direct, unconditional and unsecured obligations of the Borrower and rank and will rank at least pari passu in priority of payment and in all other respects with all other present and future unsecured and unsubordinated indebtedness for borrowed money of the Borrower, subject to certain obligations preferred by mandatory provisions of applicable law.
13. It is not necessary under the laws of [] that the Lender be licensed, qualified or entitled to carry on business in []: (i) to enable the Lender to enforce its rights under the Documents; or (ii) solely by reason of the execution, delivery or performance of the Documents.
14. Under the laws of [], the Lender will not become or be deemed a resident or domiciled in [], be required to qualify to do business in [], or be required to comply with the requirements of any foreign registration or qualification statute of the [], solely by reason of the execution, delivery and performance of the Documents.

EXHIBIT E

POINTS OF BRAZILIAN OPINION

1. The Guarantor is a [] duly organized and validly existing under the laws of Brazil.
2. The Guarantor has all requisite power and authority to own and operate its property and conduct its business.
3. The Guarantor has the power and authority to execute and deliver the Guarantee Letter and to perform its obligations thereunder and all necessary corporate, shareholder and other action required by the constitutional documents of the Guarantor and/or Brazilian law has been taken to authorize the execution, delivery and performance of the Guarantee Letter.
4. The execution, delivery and performance by the Guarantor of the Guarantee Letter and the consummation of the transactions contemplated thereby, have been duly authorized by all necessary corporate action (when applicable), and do not contravene its by-laws, if any, nor violate any law, rule or regulation to which it is subject.
5. The Guarantee Letter has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor, enforceable against each the Guarantor in accordance with its terms.
6. The Guarantee Letter is in proper legal form under the laws of Brazil for the enforcement thereof in accordance with their terms against the Guarantor.
7. The Guarantee Letter grants under the law of Brazil access to a summary procedure.
8. Neither the Guarantor nor any of its assets is entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding in Brazil to enforce or collect upon the Guarantee Letter or any liability contemplated thereby or in connection therewith (including, without limitation, immunity from services of process, immunity from jurisdiction or judgment of any court or tribunal, immunity from execution of a judgment and immunity of its property from attachment prior to any entry of judgment or from attachment in aid of execution of a judgment).
9. No consents, authorizations, licenses or approvals of, or registration with or declarations to any governmental or public bodies or authorities or courts are required by the Guarantor to authorize, or required by the Guarantor in connection with the execution, delivery, validity, enforceability or admissibility in evidence of the Guarantee Letter or the performance by the Guarantor of its obligations thereunder.
10. The obligations of the Guarantor with respect to the Lender under the Guarantee Letter constitute direct, unconditional and unsecured obligations of the Guarantor and rank and will rank at least pari passu in priority of payment and in all other respects with all other present and future unsecured and unsubordinated indebtedness for borrowed money of the Guarantor, subject to certain obligations preferred by mandatory provisions of applicable law.
11. It is not necessary under the laws of Brazil that the Lender be licensed, qualified or entitled to carry on business in Brazil: (i) to enable the Lender to enforce its rights under the Guarantee Letter; or (ii) solely by reason of the execution, delivery or performance of the Guarantee Letter.
12. Under the laws of Brazil, the Lender will not become or be deemed a resident or domiciled in Brazil, be required to qualify to do business in Brazil, or be required to comply with the requirements of any foreign registration or qualification statute of Brazil, solely by reason of the execution, delivery and performance of the Guarantee Letter.

EXHIBIT F

FORM OF THE PREPAYMENT NOTICE
(Borrower's letterhead)

(Date)

To
Itaú Unibanco S.A., Nassau Branch
Paraguay 2141, 18th floor, Office 1802
Montevideo, Uruguay, C.P. 11.800
At: Jorge Luis Marizcurrena Vejo

Re: Prepayment Notice under the Revolving Credit Facility Agreement Nr. [] between Itaú Unibanco S.A., Nassau Branch (Lender) and [] (Borrower) dated as of [] for up to US\$ [] ([] U.S. Dollars) (the "Agreement").

Dear Sir/Madam:

Pursuant to Section 7.5 of the above-mentioned Agreement and subject to the conditions under the Documents, we hereby notify you that we will prepay the following Loan(s):

1. Loan
 - a. Disbursement Date: []
 - b. Principal outstanding: []
 - c. Amount to be prepaid: []

2. Loan
 - a. Disbursement Date: []
 - b. Principal outstanding: []
 - c. Amount to be prepaid: []

Capitalized terms used herein shall have the same meanings given to them in the Agreement.

Sincerely,

By **[BORROWER]**

Name: Name:
Title: Title:

**FOURTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT ("this Amendment") is made and dated as of February 15, 2024, 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 amended or modified from time to time, the "Credit Agreement").

RECITALS

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 Third Amendment Effective Date (as defined in Section 4 below), the defined term "Maturity Date" in Section 1.1 of the Credit Agreement ("Defined Terms") shall be amended and restated in its entirety as follows:

"Maturity Date" means February 17, 2026.

3. Representations and Warranties. As of the date hereof and as of the Fourth 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 "Fourth 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 Fourth 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 Fourth Amendment Effective Date by the Borrower to the Lender to the extent invoiced to the Borrower prior to the Fourth Amendment Effective Date.

5. Miscellaneous.

5.1 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.

5.2 Loan Document. This Amendment is a Loan Document.

5.3 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.

1.1 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 Alejandro 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 Alejandro Tannenbaum
Title: Chief Financial Officer

ADCR INMOBILIARIA S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Alejandro Tannenbaum
Title: Chief Financial Officer

By: /s/ Marcelo Rabach
Name: Marcelo Rabach
Title: Chief Executive Officer

ARCOS DORADOS COSTA RICA ADCR, S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Alejandro Tannenbaum
Title: Chief Financial Officer

By: /s/ Marcelo Rabach
Name: Marcelo Rabach
Title: Chief Executive Officer

ARCOS DORADOS PANAMÁ, S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Alejandro Tannenbaum
Title: Chief Financial Officer

By: /s/ Marcelo Rabach
Name: Marcelo Rabach
Title: Chief Executive Officer

SISTEMAS MCOPCO PANAMÁ, S.A.,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Alejandro Tannenbaum
Title: Chief Financial Officer

By: /s/ Marcelo Rabach
Name: Marcelo Rabach
Title: Chief Executive Officer

ARCOS DORADOS PUERTO RICO, LLC,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Alejandro Tannenbaum
Title: Chief Financial Officer

GOLDEN ARCH DEVELOPMENT LLC,
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Alejandro Tannenbaum
Title: Chief Financial Officer

ARCOS DORADOS RESTAURANTES DE CHILE SPA
(formerly known as Arcos Dorados Restaurantes de Chile Limitada),
as a Guarantor

By: /s/ Mariano Tannenbaum
Name: Mariano Alejandro Tannenbaum
Title: Chief Financial Officer

Witnesses for Arcos Dourados Comércio de Alimentos S.A. (formerly known as Arcos Dourados Comércio de Alimentos Ltda.):

By: /s/ Ana Rehder
Name: Ana Luisa Rehder
CPF: 220.197.708-90

By: /s/ Suzana Costiuc
Name: Suzana Costiuc
CPF: 220.197.708-90

LENDER:

JPMORGAN CHASE BANK, N.A.,
as Lender

By: /s/ Christophe Vohmann

Name: Christophe M. Vohmann

Title: Executive Director

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
Aregold 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.	The 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 Camico (Camicos), 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

Name	Place of Incorporation
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
AD Real Estate S.A.	Argentina
Arcos Dorados I B.V.	The Netherlands
AD Real Estate Peru S.A.C.	Peru
ADReal Ecuador S.A.S.	Ecuador

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, 2024

/s/ Marcelo Rabach

Name: Marcelo Rabach

Title: Chief Executive Officer

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, 2024

/s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

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, 2023 (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, 2024

/s/ Marcelo Rabach

Name: Marcelo Rabach

Title: Chief Executive Officer

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, 2023 (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, 2024

/s/ Mariano Tannenbaum
Name: Mariano Tannenbaum
Title: Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-173496), pertaining to the Equity Incentive Plan of Arcos Dorados Holdings Inc of our reports dated March 13, 2024, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting of Arcos Dorados Holdings Inc., included in the Annual Report on Form 20-F for the year ended December 31, 2023.

Buenos Aires, Argentina
April 29, 2024

/s/ Pistrelli, Henry Martin y Asociados S.R.L.

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.

Member of Ernst & Young Global Limited

ARCOS DORADOS HOLDINGS INC.
A British Virgin Islands company
(the "**Company**")

COMPENSATION RECOUPMENT POLICY
Adopted on October 20, 2023

This Arcos Dorados Holdings Inc. Compensation Recoupment Policy (the "**Policy**") has been adopted by the Board of Arcos Dorados Holdings Inc. (the "**Company**") on October 20, 2023. This Policy provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws in accordance with the terms and conditions set forth herein. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 303A.14 of the NYSE Listed Company Manual.

1. **Definitions.** For the purposes of this Policy, the following terms shall have the meanings set forth below.

- (a) "**Board**" means the Board of Directors of the Company, being the group of individuals who are responsible for overseeing the management and direction of the Company with obligations to act in the best interests of the Company.
- (b) "**Code**" means the U.S. Internal Revenue Code of 1986, as amended.
- (c) "**Committee**" means the Compensation and Nomination Committee of the Board or any successor committee thereof or, where there is no such committee of the Board, the Board.
- (d) "**Covered Compensation**" means any Incentive-based Compensation "received" by a Covered Executive during the applicable Recoupment Period; *provided that*:
 - (i) such Covered Compensation was received by such Covered Executive (A) after the Effective Date, (B) after he or she commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a United States national securities exchange; and
 - (ii) such Covered Executive served as an Executive Officer at any time during the performance period applicable to such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is "**received**" by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation is made thereafter.

- (e) "**Covered Executive**" means any current or former Executive Officer.
 - (f) "**Effective Date**" means the date on which Section 303A.14 of the NYSE Listed Company Manual becomes effective.
 - (g) "**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.
 - (h) "**Executive Officer**" means, with respect to the Company, (i) its president, (ii) its principal financial officer, (iii) its principal accounting officer (or if there is no such accounting officer, its controller), (iv) any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), (v) any other officer who performs a policy-making function for the Company (including any officer of the Company's parent(s) or subsidiaries if they perform policy-making functions for the Company), and (vi) any other person who performs similar policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant. The determination as to an individual's status as an Executive Officer shall be made by the Committee and such determination shall be final, conclusive and binding on such individual and all other interested persons.
-

(i) **"Financial Reporting Measure"** means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, (ii) stock price measure or (iii) total shareholder return measure (and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above). For the avoidance of doubt, any such measure does not need to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission to constitute a Financial Reporting Measure.

(j) **"Financial Restatement"** means a restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

- (i) an error in previously issued financial statements that is material to the previously issued financial statements; or
- (ii) an error that would result in a material misstatement if (A) the error were corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a revision of the Company's financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company's internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; or (5) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

(k) **"Incentive-based Compensation"** means any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, "Incentive-based Compensation" shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation (including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon).

(l) **"NYSE"** means the New York Stock Exchange, or any successor thereof.

(m) **"Recoupment Period"** means the three fiscal years completed immediately preceding the date of any applicable Recoupment Trigger Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.

(n) **"Recoupment Trigger Date"** means the earlier of (i) the date that the Board (or a committee thereof or the officer(s) of the Company authorized to take such action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement.

2. Recoupment of Erroneously Awarded Compensation.

(a) In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the **"Awarded Compensation"**) exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the **"Adjusted Compensation"**), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation, each calculated on a pre-tax basis (such excess amount, the **"Erroneously Awarded Compensation"**).

(b) If (i) the Financial Reporting Measure applicable to the relevant Covered Compensation is stock price or total shareholder return (or any measure derived wholly or in part from either of such measures) and (ii) the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of Erroneously Awarded Compensation shall be determined (on a pre-tax basis) based on the Company's reasonable estimate of the effect of the Financial Restatement on the Company's stock price or total shareholder return (or the derivative measure thereof) upon which such Covered Compensation was received.

(c) For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed or (ii) any fault of any Covered Executive for the accounting errors or other actions leading to a Financial Restatement.

(d) Notwithstanding anything to the contrary in Sections 2(a) through (c) hereof, the Company shall not be required to recover any Erroneously Awarded Compensation if both (x) the conditions set forth in either of the following clauses (i), (ii), or (iii) are satisfied and (y) the Committee (or in its absence, a majority of the independent directors serving on the Board) has determined that recovery of the Erroneously Awarded Compensation would be impracticable:

(i) the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d)(i), the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery and provide that documentation to the NYSE;

(ii) recovery of the Erroneously Awarded Compensation would violate the laws of the British Virgin Islands to the extent such law was adopted prior to the November 28, 2022, provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d)(ii), the Company shall have first obtained an opinion of home country counsel in the British Virgin Islands, that is acceptable to the NYSE, that recovery would result in such a violation, and the Company must provide such opinion to the NYSE; or

(iii) recovery of the Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the Code.

(e) The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

(f) The Committee shall determine, in its sole discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(d), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation; *provided* that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code, any offsets against amounts under any nonqualified deferred compensation plans (as defined under Section 409A of the Code) shall be made in compliance with Section 409A of the Code.

3. Administration. Where the Committee exists, the Board may delegate the administration and implementation of this Policy to the Committee and all decisions of the Committee shall be final, conclusive and binding upon the Company and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Committee shall have full power and authority to (i) administer and interpret this Policy; (ii) correct any defect, supply any omission and reconcile any inconsistency in this Policy; and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual, the Board may, in its sole discretion, at any time and from time to time, administer this Policy in the same manner as the Committee.

4. Amendment/Termination. Subject to Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual, this Policy may be amended or terminated by the Committee at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

5. Interpretation. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and Section 303A.14 of the NYSE Listed Company Manual (and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith). The provisions of this Policy shall be interpreted in a manner that satisfies such requirements and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid such conflict.

6. Other Compensation Clawback/Recoupment Rights. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any other recoupment or clawback policy of the Company (or any of its affiliates) that may be in effect from time to time, any provisions in any employment agreement, offer letter, equity plan, equity award agreement or similar plan or agreement, and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; *provided, however*, that any amounts recouped or clawed back under any other policy that would be recoupable under this Policy shall count toward any required clawback or recoupment under this Policy and vice versa.

7. Exempt Compensation. Notwithstanding anything to the contrary herein, the Company has no obligation to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided* that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure.

8. Miscellaneous.

(a) Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective or was first granted or awarded, including, without limitation, compensation received under the Arcos Dorados Holdings Inc. Equity Incentive Plan, Arcos Dorados Holdings Inc. Long Term Incentive Plan, Arcos Dorados Holdings Inc. Target Incentive Program (TIP) and any successor plan thereto.

(b) This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

(c) All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(d) The Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company shall initially attempt to resolve all claims, disputes or controversies arising under, out of or in connection with this Policy by conducting good faith negotiations amongst themselves. To ensure the timely and economical resolution of disputes that arise in connection with this Policy, any and all disputes, claims or causes of action arising from or relating to the enforcement, performance or interpretation of this Policy shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in the city of New York, USA, conducted by the International Court of Arbitration of the International Chamber of Commerce in accordance with the ICC Rules of Arbitration. To the fullest extent permitted by law, the Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company, shall waive (and shall hereby be deemed to have waived) (1) the right to resolve any such dispute through a trial by jury or judge or administrative proceeding; and (2) any objection to arbitration taking place in New York, USA. The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that any party would be entitled to seek in a court of law. Any such award rendered shall be enforceable by any court having jurisdiction and, to the fullest extent permitted by law, the Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company shall waive (and shall hereby be deemed to have waived) the right to resolve any such dispute regarding enforcement of such award through a trial by jury.

(e) If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

COVERED EXECUTIVES

NAME	TITLE
Woods Staton	Executive Chairman of the Board
Marcelo Rabach	Chief Executive Officer
Luis Raganato	Chief Operations Officer
Mariano Tannenbaum	Chief Financial Officer