UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of May, 2023

Commission File Number: 001-35129

Arcos Dorados Holdings Inc.

(Exact name of registrant as specified in its charter)

Dr. Luis Bonavita 1294, Office 501
Montevideo, Uruguay, 11300 WTC Free Zone
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F X Form 40-F

ARCOS DORADOS HOLDINGS INC.

TABLE OF CONTENTS

ITEM

1. Arcos Dorados Holdings Inc. Unaudited Condensed Consolidated Financial Statements as of March 31, 2023 and December 31, 2022 and for the three-month periods ended March 31, 2023 and 2022 (Unaudited)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Arcos Dorados Holdings Inc.

By: /s/ Juan David Bastidas
Name: Juan David Bastidas
Title: Chief Legal Counsel

Date: May 17, 2023

Arcos Dorados Holdings Inc.

Condensed Consolidated Financial Statements
As of March 31, 2023 and December 31, 2022 and for the three-month periods ended March 31, 2023 and 2022 (Unaudited)

Arcos Dorados Holdings Inc.

Consolidated Statements of Income

For the three-month periods ended March 31, 2023 and 2022 (Unaudited)

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

	2023	2022
REVENUES		
Sales by Company-operated restaurants	$ 946,354	$ 755,294
Revenues from franchised restaurants	44,438	35,387
Total revenues	**990,792**	**790,681**
OPERATING COSTS AND EXPENSES		
Company-operated restaurant expenses:		
Food and paper	(333,866)	(263,408)
Payroll and employee benefits	(185,317)	(152,228)
Occupancy and other operating expenses	(263,723)	(220,127)
Royalty fees	(56,739)	(38,616)
Franchised restaurants – occupancy expenses	(18,209)	(16,008)
General and administrative expenses	(65,592)	(55,538)
Other operating (expenses) income, net	(1,061)	3,591
Total operating costs and expenses	**(924,507)**	**(742,334)**
Operating income	**66,285**	**48,347**
Net interest expense and other financing results	(9,859)	(10,659)
Loss from derivative instruments	(4,929)	(11,692)
Foreign currency exchange results	7,283	15,827
Other non-operating expenses, net	(110)	(25)
Income before income taxes	**58,670**	**41,798**
Income tax expense	(21,026)	(17,169)
Net income	**37,644**	**24,629**
Less: Net income attributable to non-controlling interests	(237)	(126)
Net income attributable to Arcos Dorados Holdings Inc.	**$ 37,407**	**$ 24,503**
Earnings per share information:		
Basic net income per common share attributable to Arcos Dorados Holdings Inc.	$ 0.18	$ 0.12
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.	0.18	0.12

See Notes to the Condensed Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2023 and 2022 (Unaudited)
Amounts in thousands of US dollars

	2023	2022
Net income	**$ 37,644**	**$ 24,629**
Other comprehensive income, net of tax:		
Foreign currency translation	35,477	35,939
Post-employment benefits:		
Net gain recognized in accumulated comprehensive income	—	333
Reclassification of net loss to consolidated statement of income	20	20
Post-employment benefits (net of deferred income taxes of $(11) and $(182))	20	353
Cash flow hedges:		
Net loss recognized in accumulated other comprehensive income	(6,346)	(34,505)
Reclassification of net loss to consolidated statement of income	4,212	25,901
Cash flow hedges (net of deferred income taxes of $59 and $1,948)	(2,134)	(8,604)
Securities available for sale:		
Unrealized loss on available for sale securities	(25)	(2,277)
Securities available for sale (net of deferred income taxes of $nil and $1,187)	(25)	(2,277)
Total other comprehensive income	**33,338**	**25,411**
Comprehensive income	**70,982**	**50,040**
Less: Comprehensive income attributable to non-controlling interests	(221)	(144)
Comprehensive income attributable to Arcos Dorados Holdings Inc.	**$ 70,761**	**$ 49,896**

See Notes to the Condensed Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Balance Sheet

As of March 31, 2023 and December 31, 2022

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

	As of March 31, 2023 (Unaudited)	As of December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 231,395	$ 266,937
Short-term investments	32,434	37,459
Accounts and notes receivable, net	116,916	124,273
Other receivables	27,757	26,790
Inventories	49,336	50,088
Prepaid expenses and other current assets	131,021	119,995
Derivative instruments	55,263	58,821
Total current assets	**644,122**	**684,363**
Non-current assets		
Miscellaneous	87,641	81,662
Collateral deposits	2,500	2,500
Property and equipment, net	901,069	856,085
Net intangible assets and goodwill	60,979	54,569
Deferred income taxes	91,662	87,972
Derivative instruments	32,986	34,088
Equity method investments	16,269	14,708
Lease right of use asset, net	864,376	820,683
Total non-current assets	**2,057,482**	**1,952,267**
Total assets	**$ 2,701,604**	**$ 2,636,630**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	$ 316,733	$ 353,468
Royalties payable to McDonald's Corporation	18,851	21,280
Income taxes payable	70,416	65,311
Other taxes payable	74,438	81,371
Accrued payroll and other liabilities	139,206	115,327
Provision for contingencies	2,305	2,272
Interest payable	18,143	7,906
Short-term debt	93	318
Current portion of long-term debt	19,915	19,033
Derivative instruments	10,672	10,215
Operating lease liabilities	87,003	82,911
Total current liabilities	**757,775**	**759,412**
Non-current liabilities		
Accrued payroll and other liabilities	30,445	28,781
Provision for contingencies	46,596	42,567
Long-term debt, excluding current portion	708,971	711,671
Derivative instruments	19,236	18,167
Deferred income taxes	6,050	3,931
Operating lease liabilities	777,124	747,674
Total non-current liabilities	**1,588,422**	**1,552,791**
Total liabilities	**2,346,197**	**2,312,203**
Equity		
Class A shares of common stock	389,393	389,393
Class B shares of common stock	132,915	132,915
Additional paid-in capital	9,226	9,206
Retained earnings	422,321	424,936
Accumulated other comprehensive loss	(580,106)	(613,460)
Common stock in treasury	(19,367)	(19,367)
Total Arcos Dorados Holdings Inc. shareholders' equity	**354,382**	**323,623**
Non-controlling interests in subsidiaries	1,025	804
Total equity	**355,407**	**324,427**
Total liabilities and equity	**$ 2,701,604**	**$ 2,636,630**

See Notes to the Condensed Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Condensed Consolidated Statements of Cash Flows
For the three-month periods ended March 31, 2023 and 2022 (Unaudited)
Amounts in thousands of US dollars

	2023	2022
Operating activities		
Net income attributable to Arcos Dorados Holdings Inc.	$ 37,407	$ 24,503
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	33,520	30,136
Foreign currency exchange results	905	(16,598)
Loss from derivative instruments	4,929	11,692
Others, net	2,193	(3,395)
Changes in assets and liabilities	(49,467)	(11,149)
Net cash provided by operating activities	**29,487**	**35,189**
Investing activities		
Property and equipment expenditures	(46,982)	(24,816)
Purchases of restaurant businesses paid at acquisition date	—	(995)
Proceeds from short-term investments	15,000	—
Acquisitions of short-term investments	(10,000)	(15,887)
Other investing activity	(31)	765
Net cash used in investing activities	**(42,013)**	**(40,933)**
Financing activities		
Dividend payments to Arcos Dorados Holdings Inc.'s shareholders	(10,530)	(8,419)
Open Market Repurchases of 2029 Senior Notes	(2,813)	—
Open Market Repurchases of 2027 Senior Notes	(1,904)	—
Payment of derivative instruments	(715)	—
Other financing activities	(1,204)	(3,388)
Net cash used in financing activities	**(17,166)**	**(11,807)**
Effect of exchange rate changes on cash and cash equivalents	(5,850)	6,047
Decrease in cash and cash equivalents	**(35,542)**	**(11,504)**
Cash and cash equivalents at the beginning of the year	266,937	$ 278,830
Cash and cash equivalents at the end of the period	**$ 231,395**	**$ 267,326**
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ 1,190	$ 10,033
Income tax	18,287	14,270
Non-cash investing and financing activities:		
Dividend declared pending of payment	29,492	23,153
Seller financing pending of payment and settlement of franchise receivables related to purchases of restaurant businesses	2,500	—

See Notes to the Condensed Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statement of Changes in Equity

For the three-month period ended March 31, 2023 (Unaudited)

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

	Arcos Dorados Holdings Inc. Shareholders' Equity										
	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
	Number	Amount	Number	Amount				Number	Amount		
Balances at beginning of fiscal year	**132,903,607**	**$ 389,393**	**80,000,000**	**$ 132,915**	**$ 9,206**	**$ 424,936**	**$ (613,460)**	**(2,309,062)**	**$ (19,367)**	**$ 323,623**	**$ 804**
Net income for the period (Unaudited)	—	—	—	—	—	37,407	—	—	—	37,407	237
Other comprehensive income (Unaudited)	—	—	—	—	—	—	33,354	—	—	33,354	(16)
Cash Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.19 per share) (Unaudited)	—	—	—	—	—	(40,022)	—	—	—	(40,022)	—
Stock-based compensation related to the 2011 Equity Incentive Plan (Unaudited)	—	—	—	—	20	—	—	—	—	20	—
Balances at end of period (Unaudited)	**132,903,607**	**$ 389,393**	**80,000,000**	**$ 132,915**	**$ 9,226**	**$ 422,321**	**$ (580,106)**	**(2,309,062)**	**$ (19,367)**	**$ 354,382**	**$ 1,025**

See Notes to the Condensed Consolidated Financial Statements.

Arcos Dorados Holdings Inc.

Consolidated Statement of Changes in Equity

For the three-month period ended March 31, 2022 (Unaudited)

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

	Arcos Dorados Holdings Inc. Shareholders' Equity										
	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
	Number	Amount	Number	Amount				Number	Amount		
Balances at beginning of fiscal year	**132,787,384**	**$ 388,369**	**80,000,000**	**$ 132,915**	**$ 10,101**	**$ 316,180**	**$ (607,768)**	**(2,309,062)**	**$ (19,367)**	**$ 220,430**	**$ 732**
Net income for the period (Unaudited)	—	—	—	—	—	24,503	—	—	—	24,503	126
Other comprehensive income (Unaudited)	—	—	—	—	—	—	25,393	—	—	25,393	18
Cash Dividends to Arcos Dorados Holdings Inc.'s shareholders ($0.15 per share) (Unaudited)	—	—	—	—	—	(31,587)	—	—	—	(31,587)	—
Stock-based compensation related to the 2011 Equity Incentive Plan (Unaudited)	—	—	—	—	46	—	—	—	—	46	—
Dividends to non-controlling interests (Unaudited)	—	—	—	—	—	—	—	—	—	—	(134)
Balances at end of period (Unaudited)	**132,787,384**	**$ 388,369**	**80,000,000**	**$ 132,915**	**$ 10,147**	**$ 309,096**	**$ (582,375)**	**(2,309,062)**	**$ (19,367)**	**$ 238,785**	**$ 742**

See Notes to the Condensed Consolidated Financial Statements.

1. Organization and nature of business

Arcos Dorados Holdings Inc. (the "Company") is a company limited by shares incorporated and existing under the laws of the British Virgin Islands. The Company's fiscal year ends on the last day of December. The Company has through its wholly-owned Company Arcos Dorados Group B.V., a 100% equity interest in Arcos Dorados B.V. ("ADBV").

On August 3, 2007 the Company, indirectly through its wholly-owned subsidiary ADBV, entered into a Stock Purchase Agreement and Master Franchise Agreements ("MFAs") with McDonald's Corporation pursuant to which the Company completed the acquisition of the McDonald's business in Latin America and the Caribbean ("LatAm business"). 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 condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") for interim financial information 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").

The accompanying condensed consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted for purposes of this presentation. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated annual financial statements of the Company as of December 31, 2022.

The accompanying condensed consolidated financial statements are unaudited and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, which are considered necessary for the fair presentation of the information in the consolidated financial statements.

Operating results for the three-month period ended March 31, 2023 are not necessarily indicative of results that may be expected for any future periods.

3. Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Company in the preparation of the consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Foreign currency matters

The financial statements of the Company's foreign operating subsidiaries are translated in accordance with guidance in ASC 830 Foreign Currency Matters. Except for the Company's Venezuelan and Argentinian operations, the functional currencies of the Company's foreign operating subsidiaries are the local currencies of the countries in which they conduct their operations. Therefore, assets and liabilities are translated into US dollars at the balance sheet date exchange rates, and revenues, expenses and cash flow are translated at average rates prevailing during the periods. Translation adjustments are included in the "Accumulated other comprehensive loss" component of shareholders' equity. The Company includes foreign currency exchange results related to monetary assets and liabilities transactions, including intercompany transactions, denominated in currencies other than its functional currencies in its statements of income.

Since January 1, 2010 and July 1, 2018, Venezuela and Argentina, respectively, were considered to be highly inflationary, and as such, the financial statements of these subsidiaries are remeasured as if its functional currency was the reporting currency of the immediate parent company (US dollars for Venezuelan operation; Brazilian reais ("BRL") for Argentinian operation from July 2018 to June 2020 and US dollars since July 2020). As a result, remeasurement gains and losses are recognized in earnings rather than in the cumulative translation adjustment, component of "Accumulated other comprehensive loss" within shareholders' equity.

In addition, in these territories, there are foreign currency restrictions. Since 2019, in Argentina several measures have been adopted including, among others: (i) limitation to hoarding and consumption in foreign currency for natural persons, (ii) taxes to increase the official exchange rate, (iii) approvals issued by the Central Bank of Argentina to access foreign currency to settle imports of goods or services, principal and interest from financial payables to foreign parties, profits and dividends. 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 loosen those restrictions by permitting financial institution to participate as intermediaries in foreign currency operations, the Company's ability to immediately access cash through repatriations continues to be limited. 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, 2022.

As of March 31, 2023, Argentina's and Venezuela's net nonmonetary asset positions were $148.6 million and $12.1 million, respectively, mainly fixed assets.

3. Summary of significant accounting policies (continued)

Accounts payable outsourcing

The Company offers its suppliers access to an accounts payable services arrangement provided by third party financial institutions. This service allows the Company's suppliers to view its scheduled payments online, enabling them to better manage their cash flow and reduce payment processing costs. Independent of the Company, the financial institutions also allow suppliers to sell their receivables to the financial institutions in an arrangement separately negotiated by the supplier and the financial institution. The Company has no economic interest in the sale of these receivables and no direct relationship with the financial institutions concerning the sale of receivables. All of the Company's obligations, including amounts due, remain to the Company's suppliers as stated in the supplier agreements. This obligations require payment in full within 180 days of the invoice date. As of March 31, 2023 and December 31, 2022, $22,087 and $24,149, respectively, of the Company's total accounts payable (included within "Accounts payable" in the Balance Sheet) are available for this purpose.

Recent accounting pronouncements

In September 2022, the Financial Accounting Standards Board issued Accounting Standard Update No. 2022-04, "Liabilities – Supplier Finance Program (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations", which requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about their obligations that are outstanding at the end of the reporting period. This Standard was adopted by the Company.

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

4. Short-term debt

Short-term debt consists of the following:

	As of March 31, 2023 (Unaudited)	As of December 31, 2022
Short-term bank loans	$ 38	$ 267
Short-term notes	55	51
Total	**$ 93**	**$ 318**

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. 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.

4. Short-term debt (Continued)

Revolving credit facility (continued)

The obligations of the Company under the revolving credit facility are jointly and severally guaranteed by certain of the Company's subsidiaries on an unconditional basis. The revolving credit facility includes customary covenants including, among others, restrictions on the ability of the Company, the guarantors and certain material subsidiaries to: (i) incur liens, (ii) enter into any merger, consolidation or amalgamation; (iii) sell, assign, lease or transfer all or substantially all of the borrower's or guarantor's business or property; (iv) enter into transactions with affiliates; (v) engage in substantially different lines of business; (vi) engage in transactions that violate certain anti-terrorism laws. In addition, the Company is required, among others, to comply, as of the last day of each quarter during the agreement, with a consolidated net indebtedness (including interest payable) to EBITDA lower than 3.00x.

As of March 31, 2023, the Company's net indebtedness (including interest payable) to EBITDA ratio was 1.04 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 condensed consolidated financial statements in connection with this revolving credit facility.

5. Long-term debt

Long-term debt consists of the following:

	As of March 31, 2023 (Unaudited)	As of December 31, 2022
2029 Notes	$ 334,200	$ 337,200
2027 Notes	379,265	381,265
2023 Notes	18,224	18,224
Finance lease obligations	5,102	5,032
Other long-term borrowings	2,500	—
Subtotal	**739,291**	**741,721**
Discount on 2029 Notes	(4,633)	(4,833)
Discount on 2027 Notes	(3,190)	(3,414)
Discount on 2023 Notes	(17)	(26)
Premium on 2029 Notes	438	461
Premium on 2027 Notes	1,409	1,506
Premium on 2023 Notes	6	9
Deferred financing costs	(4,418)	(4,720)
Total	**$ 728,886**	**$ 730,704**
Current portion of long-term debt	19,915	19,033
Long-term debt, excluding current portion	**$ 708,971**	**$ 711,671**

5. Long-term debt (continued)

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 March 31, 2023 (Unaudited)	Principal as of December 31, 2022	Maturity
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	18,224	September 27, 2023

The following table presents additional information for the three-month periods ended March 31, 2023 and 2022:

	Interest Expense (i)		DFC Amortization (i)		Amortization of Premium/Discount, net (i)	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
2029 Notes	$ 5,159	$ —	$ 174	$ —	$ 177	$ —
2027 Notes	5,598	7,872	123	157	127	166
2023 Notes	302	3,342	5	48	6	59

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

5. Long-term debt (continued)

2029, 2027 and 2023 Notes (continued)

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

The following table summarizes the activity of 2023 Notes as of March 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)
Principal amount of 2023 Notes as of March 31, 2023:		**$ 18,224**			

(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.

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.

5. Long-term debt (continued)

2029, 2027 and 2023 Notes (continued)

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

Transaction	Date	Principal Amount	Average Price	Early Redemption Price	Total payment (i)
Issuance	April 4, 2017	$ 265,000	—	—	$ —
Additional issuance	September 11, 2020	$ 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)
Principal amount of 2027 Notes as of March 31, 2023:		**$ 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.

5. Long-term debt (continued)

2029, 2027 and 2023 Notes (continued)

The following table summarizes the activity of 2029 Notes as of March 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 March 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 2023 and 2029 Notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market.

6. Derivative instruments

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

	Assets			Liabilities		
Type of Derivative	**Balance Sheets Location**	**As of March 31, 2023 (Unaudited)**	**As of December 31, 2022**	**Balance Sheets Location**	**As of March 31, 2023 (Unaudited)**	**As of December 31, 2022**
Derivatives designated as hedging instruments						
Cash Flow hedge						
Forward contracts	Other receivables	$ —	$ 268	Accrued payroll and other liabilities	$ (3,126)	$ (1,147)
Cross-currency interest rate swap	Derivative instruments	40,918	43,757	Derivative instruments	(594)	(581)
Subtotal		**$ 40,918**	**$ 44,025**		**$ (3,720)**	**$ (1,728)**
Derivatives not designated as hedging instruments						
Forward contracts	Other receivables	$ —	$ —	Accrued payroll and other liabilities	$ (508)	$ —
Cross-currency interest rate swap	Derivative instruments	36,017	38,031	Derivative instruments	—	(1,224)
Call Spread + Coupon-only swap	Derivative instruments	6,197	6,445	Derivative instruments	(18,585)	(16,703)
Call spread	Derivative instruments	3,478	3,626	Derivative instruments	—	—
Coupon-only swap	Derivative instruments	—	—	Derivative instruments	(10,729)	(9,874)
Sustainability-linked ESG Principal Only Swap	Derivative instruments	1,639	1,050	Derivative instruments	—	—
Subtotal		**$ 47,331**	**$ 49,152**		**$ (29,822)**	**$ (27,801)**
Total derivative instruments		**$ 88,249**	**$ 93,177**		**$ (33,542)**	**$ (29,529)**

Derivatives designated as hedging instruments

Cash flow hedge

Forward contracts

The Company has entered into various forward contracts in a few territories to hedge a portion of the foreign exchange risk associated with forecasted imports of goods. The effect of the hedges results in fixing the cost of goods acquired (i.e. the net settlement or collection adjusts the cost of inventory paid to the suppliers). As of March 31, 2023, the Company had forward contracts outstanding with a notional amount of $35,724 that mature during 2023.

The Company made net (payments) collections totaling $(879) and $90 during the three-month periods ended March 31, 2023 and 2022, respectively, as a result of the net settlements of these derivatives.

6. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Cash flow hedge (continued)

Cross-currency interest rate swap

During April 2017, the Company's Brazilian subsidiary entered into two cross-currency interest rate swap agreements in order to hedge all the variability in a portion (50%) of the principal and interest payable of certain intercompany loan payables nominated in US dollar.

The following table presents information related to the terms of the agreements:

	Payable			Receivable				
Bank	**Currency**	**Notional**	**Interest rate**	**Currency**	**Notional**	**Interest rate**	**Interest payment dates**	**Maturity**
BAML (i)	BRL	156,250	13.64 %	$	50,000	6.91 %	March 31/ September 30	April 2027
Banco Santander S.A.	BRL	155,500	13.77 %	$	50,000	6.91 %	June 30/ December 31	September 2023

(i) Bank of America Merrill Lynch Banco Múltiplo S.A.

The Company paid $302 and $2,952 of net interest during the three-month periods ended March 31, 2023 and 2022, respectively (for the three-month period ended March 31, 2022 included payments related to cross-currency interest rate swap agreements, which hedge relationships were discontinued prospectively, from September 2022).

Additional disclosures

The following table present the pretax amounts affecting income and other comprehensive income (loss) for the three-month periods ended March 31, 2023 and 2022 for each type of derivative relationship:

Derivatives in Cash Flow Hedging Relationships	**Loss Recognized in Accumulated OCI on Derivative (Unaudited)**		**Loss (gain) Reclassified from Accumulated OCI into income (loss) (Unaudited)**	
	2023	**2022**	**2023**	**2022**
Forward contracts (i)	$ (3,126)	$ (1,907)	$ 879	$ (90)
Cross-currency interest rate swaps (ii)	(4,878)	(40,415)	4,476	31,290
Call Spread (iii)	—	—	813	808
Coupon-only swap (iii)	—	—	(239)	(238)
Total	**$ (8,004)**	**$ (42,322)**	**$ 5,929**	**$ 31,770**

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

6. Derivative instruments (continued)

Derivatives designated as hedging instruments (continued)

Cash flow hedge (continued)

Additional disclosures (continued)

(ii) The net loss recognized in income, related to cross-currency interest rate swaps is presented as follows:

	For the three-month periods ended March 31,	
Adjustment to:	**2023 (Unaudited)**	**2022 (Unaudited)**
Foreign currency exchange results	$ (4,165)	$ (29,182)
Net interest expense and other financing results	(311)	(2,108)
Total	**$ (4,476)**	**$ (31,290)**

(iii) During April 2017, the Company's Brazilian subsidiary entered into two call spread and two coupon-only swap agreements in order to hedge all the variability in a portion (50%) of the principal and interest payable, respectively, of certain intercompany loans payable nominated in US dollar. In May 2021, the Company unwound these agreements before their maturity and collected $18.8 million (BRL99.7 million) related to call spread and $4.4 million (BRL 23.5 million) related to coupon-only swaps. Although the hedge relationships were discontinued, the Company expects to maintain the underlying loans until maturity. As a consequence, the amounts recorded in accumulated other comprehensive loss until May 2021 will be amortized to earnings as the originally hedged cash flows affected earnings.

The results recognized in income related to call spread agreements and coupon-only swap agreements were recorded as an adjustment to "Foreign currency exchange results" and "Net interest expense and other financing results", respectively.

6. Derivative instruments (continued)

Derivatives not designated as hedging instruments

The Company entered into certain derivatives that are not designated as hedge accounting, therefore the changes in the fair value of these derivatives are recognized immediately in earnings, within "(Loss) gain from derivative instruments". The following tables present information related to the terms of the agreements:

Call Spread

Entity	Nominal Amount		Strike price		Maturity
	Currency	Notional	Call option bought	Call option written	
JPMorgan	$	30,000	5.62	8.20	April 2027
Itaú Unibanco S.A. (i)	$	50,000	5.62	8.20	April 2027

Coupon-only swap

Entity	Payable			Receivable			Interest payment dates	Maturity
	Currency	Notional	Interest rate (ii)	Currency	Notional	Interest rate		
JPMorgan	BRL	168,690	CDI plus 2.42%	$	30,000	5.46 %	April 30/ October 31	April 2027
Itaú Unibanco S.A. (i)	BRL	281,150	CDI plus 2.47%	$	50,000	5.46 %	April 30/ October 31	April 2027

(i) Combination of call spread and coupon only swap into one agreement with Itaú Unibanco S.A
(ii) "CDI" Certificados de Depósitos Interbancários

Sustainability-linked ESG Principal Only Swap

Entity	Payable			Receivable			Interest payment dates	Maturity
	Currency	Notional	Interest rate	Currency	Notional	Interest rate		
Citibank S.A.	BRL	155,500	Fixed 0.88%	$	50,000	—	April 30/ October 31	April 2027

6. Derivative instruments (continued)

Derivatives not designated as hedging instruments (continued)

Cross-currency interest rate swap

The Company entered into the following four cross-currency interest rate swap agreements (signed during November 2013 and amended in February 2017; June and July 2017 and October 2020), which were designated as hedge accounting from the inception until September 2022, as they hedged all the variability of the principal and interest collections of its BRL intercompany loan receivables. During September 2022, the Company settled the BRL intercompany loan receivables previously mentioned. Therefore, the hedge relationships of these four cross-currency interest rate swap agreements were discontinued, prospectively.

	Payable			Receivable				
Bank	**Currency**	**Notional**	**Interest rate**	**Currency**	**Notional**	**Interest rate**	**Interest payment dates**	**Maturity**
JP Morgan Chase Bank, N.A.	BRL	108,000	13 %	$	35,390	4.38 %	March 31/ September 30	September 2023
JP Morgan Chase Bank, N.A.	BRL	98,670	13 %	$	30,000	6.02 %	March 31/ September 30	September 2023
Citibank N.A.	BRL	94,200	13 %	$	30,000	6.29 %	March 31/ September 30	September 2023
Citibank N.A. (i)	BRL	112,738	13 %	$	20,049	8.08 %	March 31/ September 30	September 2023

(i) In January 2023, the Company unwound this agreement with Citibank N.A. before its maturity and paid $715.

The Company paid $1,162 during the three-month periods ended March 30, 2023, related to this agreements.

Furthermore, the Company entered into certain forwards contracts with a notional amount of $20,000 that mature during May, 2023.

7. 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 the grant date.

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 $20 and $46 during the three-month periods ended March 31, 2023 and 2022, 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 the three-month period ended March 31, 2023:

	Units	Weighted-average grant-date fair value
Outstanding at December 31, 2022	**61,766**	**8.50**
Forfeitures	(700)	8.50
Outstanding at March 31, 2023	**61,066**	**8.50**
Exercisable at March 31, 2023	—	—

As of March 31, 2023, there were 7,885 Class A shares, amounting to $58, pending of issuance in connection with previous partial vesting.

7. Share-based compensation (Continued)

2011 Equity Incentive Plan (continued)

Restricted Share Units (continued)

The following table provides a summary of outstanding restricted share units at March 31, 2023:

Number of units outstanding (i)	61,066	
Weighted-average grant-date fair market value per unit	8.50	
Total grant-date fair value	519	
Weighted-average accumulated percentage of service	97.9	%
Stock-based compensation recognized in Additional paid-in capital	508	
Compensation expense not yet recognized (ii)	11	

(i) Related to awards that will vest in 2023.
(ii) Expected to be recognized in a weighted-average period of 1.33 months.

Phantom RSU Award

In May 2019, the Company implemented a new long-term incentive plan (called Phantom RSU Award) to reward employees giving them the opportunity to share the success of the Company in the creation of value for its shareholders. In accordance with this plan, the Company granted units (called "Phantom RSU") to certain employees, pursuant to which they are entitled to receive, when vested, a cash payment equal to the closing price of one Class A share on the respective day in which this benefit is due and the corresponding dividends per-share (if any) formally declared and paid during the service period. However, in the event of death, disability or retirement of the employee, any unvested portion of the annual award will be fully vested.

During 2019, the Company granted awards with different vesting periods: 465,202 units which vest over a requisite service period of five years as follows: 40% at the second anniversary of the date of grant and 20% at each of the following three years and 1,207,455 units which vest 100% at the fifth anniversary from the date of grant.

During 2020, the Company granted 65,440 units that vested 100% at May 2021.

During 2021, the Company granted awards with different vesting periods: 874,294 units which vest 100% at the third anniversary from the grant date; and 44,093 units that vested 100% at April 2022.

During 2022, the Company granted awards with different vesting periods: 866,481 units which vest 100% at the third anniversary from the grant date; and 41,055 units which vest 100% at April 2023.

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 for the three-month periods ended March 31, 2023 and 2022 amounts to $469 and $3,062 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.

7. Share-based compensation (Continued)

Phantom RSU Award (continued)

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

	Units
Outstanding at December 31, 2022	2,711,755
Forfeited	(17,871)
Outstanding at March 31, 2023	2,693,884

The following table provides a summary of the plan at March 31, 2023:

	Total Non-vested (i)	
Number of units outstanding (i)	2,693,884	
Share price as of March 31, 2023	7.71	
Total fair value of the plan	20,770	
Weighted-average accumulated percentage of service	59.77	%
Accrued liability (ii)	12,414	
Compensation expense not yet recognized (iii)	8,356	

(i) Related to awards that will vest between April 2023 and May 2025.
(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 1.67 years.

8. 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 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% of sales in 2022 and is expected to result in an effective royalty rate of about 6.0% of sales in 2023 and 2024.

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

	March 31, 2023 (Unaudited)
Fixed Charge Coverage Ratio	1.91
Leverage Ratio	3.35

8. Commitments and contingencies (continued)

Commitments (continued)

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	March 31, 2023 (Unaudited)
Itaú	Net indebtedness to EBITDA	4.50	1.00
Credit Suisse (i)	Indebtedness to EBITDA	4.00	0.79
JPMorgan (i)	Indebtedness to EBITDA	4.50	0.79

i. Maintained through its wholly-owned subsidiary ADBV.

For the three-month periods ended March 31, 2023 all the ratios were in compliance.

Provision for contingencies

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor, tax and other matters. At March 31, 2023 and December 31, 2022, the Company maintains a provision for contingencies, net of judicial deposits, amounting to $48,901 and $44,839, respectively, presented as follow: $2,305 and $2,272 as a current liability and $46,596 and $42,567 as a non-current liability, respectively. The breakdown of the provision for contingencies is as follows:

	As of March 31, 2023 (Unaudited)	As of December 31, 2022
Tax contingencies in Brazil	$ 32,535	$ 28,505
Labor contingencies in Brazil	14,686	14,095
Others	10,179	10,145
Subtotal	**57,400**	**52,745**
Judicial deposits	(8,499)	(7,906)
Provision for contingencies	**$ 48,901**	**$ 44,839**

As of March 31, 2023, there are certain matters related to the interpretation of 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 within a range of $460 million and $503 million. In accordance with ASC 405-20-50-6, unasserted claims or assessments that do not meet the conditions mentioned have not been included.

8. Commitments and contingencies (continued)

Provision for contingencies (continued)

As of March 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 $224 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.

Pursuant to Section 9.3 of the Stock Purchase Agreement, McDonald's Corporation indemnifies the Company for certain Brazilian claim. At March 31, 2023, the provision for contingencies includes $1,365 ($1,297 at December 31, 2022), 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.

9. 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.

The following table presents information about profit or loss and assets for each reportable segment:

	For the three-month periods ended March 31,	
	2023 (Unaudited)	**2022 (Unaudited)**
Revenues:		
Brazil	$ 374,198	$ 311,979
NOLAD	259,266	203,852
SLAD	357,328	274,850
Total revenues	**$ 990,792**	**$ 790,681**

	For the three-month periods ended March 31,	
	2023 (Unaudited)	**2022 (Unaudited)**
Adjusted EBITDA:		
Brazil	$ 59,473	$ 46,038
NOLAD	23,700	21,402
SLAD	40,716	30,316
Total reportable segments	**123,889**	**97,756**
Corporate and others (i)	(23,385)	(19,258)
Total adjusted EBITDA	**$ 100,504**	**$ 78,498**

9. Segment and geographic information (continued)

	For the three-month periods ended March 31,	
	2023 (Unaudited)	**2022 (Unaudited)**
Adjusted EBITDA reconciliation:		
Total adjusted EBITDA	**$ 100,504**	**$ 78,498**
(Less) Plus items excluded from computation that affect operating income:		
Depreciation and amortization	(33,520)	(30,136)
Gains from sale or insurance recovery of property and equipment	8	280
Write-offs of property and equipment	(707)	(295)
Operating income	**66,285**	**48,347**
(Less) Plus:		
Net interest expense and other financing results	(9,859)	(10,659)
Loss from derivative instruments	(4,929)	(11,692)
Foreign currency exchange results	7,283	15,827
Other non-operating expenses, net	(110)	(25)
Income tax expense	(21,026)	(17,169)
Net income attributable to non-controlling interests	(237)	(126)
Net income attributable to Arcos Dorados Holdings Inc.	**$ 37,407**	**$ 24,503**

	For the three-month periods ended March 31,	
	2023 (Unaudited)	**2022 (Unaudited)**
Depreciation and amortization:		
Brazil	$ 14,722	$ 13,842
NOLAD	9,848	8,153
SLAD	7,121	6,666
Total reportable segments	**31,691**	**28,661**
Corporate and others (i)	1,980	1,656
Purchase price allocation (ii)	(151)	(181)
Total depreciation and amortization	**$ 33,520**	**$ 30,136**

9. Segment and geographic information (continued)

	For the three-month periods ended March 31,	
	2023 (Unaudited)	**2022 (Unaudited)**
Property and equipment expenditures:		
Brazil	$ 16,734	$ 8,135
NOLAD	8,730	4,744
SLAD	21,343	11,842
Others	175	95
Total property and equipment expenditures	**$ 46,982**	**$ 24,816**

	As of	
	March 31, 2023 (Unaudited)	**December 31, 2022**
Total assets:		
Brazil	$ 1,225,376	$ 1,161,940
NOLAD	768,714	753,453
SLAD	661,203	647,852
Total reportable segments	**2,655,293**	**2,563,245**
Corporate and others (i)	149,959	174,486
Purchase price allocation (ii)	(103,648)	(101,101)
Total assets	**$ 2,701,604**	**$ 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 March 31, 2023 and 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 and the corresponding depreciation and amortization. As of March 31, 2023 and December 31, 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 $901,069, at March 31, 2023; and $856,085 at December 31, 2022. All of the Company's long-lived assets are related to foreign operations.

10. Shareholders' equity

Authorized capital

The Company is authorized to issue a maximum of 500,000,000 shares, consisting of 420,000,000 Class A shares and 80,000,000 Class B shares of no par value each.

Issued and outstanding capital

At March 31, 2023 and December 31, 2022, the Company issued 212,903,607 shares with no par value, consisting of 132,903,607 Class A shares and 80,000,000 Class B shares for each period.

At March 31, 2023 and December 31, 2022, the Company has 2,309,062 shares in treasury.

Therefore, at March 31, 2023 the Company had 210,594,545 shares outstanding, consisting of 130,594,545 Class A shares and 80,000,000 Class B shares.

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. As of March 31, 2023, the Company paid $10,530 of cash dividends.

10. Shareholders' equity (continued)

Accumulated other comprehensive loss

The following tables set forth information with respect to the components of "Accumulated other comprehensive loss" as of March 31, 2023 and 2022, respectively, and their related activity during the three-month periods 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, 2022	**$ (608,879)**	**$ (746)**	**$ (3,624)**	**$ (211)**	**$ (613,460)**
Other comprehensive income (loss) before reclassifications (Unaudited)	35,493	(6,346)	(25)	—	29,122
Net loss reclassified from accumulated other comprehensive income to consolidated statement of income (Unaudited)	—	4,212	—	20	4,232
Net current-period other comprehensive income (loss) (Unaudited)	35,493	(2,134)	(25)	20	33,354
Balances at March 31, 2023 (Unaudited)	**$ (573,386)**	**$ (2,880)**	**$ (3,649)**	**$ (191)**	**$ (580,106)**

	Foreign currency translation	Cash flow hedges	Securities available for sale (i)	Post-employment benefits (ii)	Total Accumulated other comprehensive loss
Balances at December 31, 2021	**$ (625,071)**	**$ 17,840**	**$ —**	**$ (537)**	**$ (607,768)**
Other comprehensive income (loss) before reclassifications (Unaudited)	35,921	(34,505)	(2,277)	333	(528)
Net loss reclassified from accumulated other comprehensive loss to consolidated statement of income (Unaudited)	—	25,901	—	20	25,921
Net current-period other comprehensive income (loss) (Unaudited)	35,921	(8,604)	(2,277)	353	25,393
Balances at March 31, 2022 (Unaudited)	**$ (589,150)**	**$ 9,236**	**$ (2,277)**	**$ (184)**	**$ (582,375)**

(i) Related to unrealized results on available for sale securities. As of March 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 $12,434, included within "Short-term investments" in the Consolidated Balance Sheet. The amortized cost amounted to $16,083 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.

11. 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 periods presented:

	For the three-month periods ended March 31,	
	2023 (Unaudited)	**2022 (Unaudited)**
Net income attributable to Arcos Dorados Holdings Inc. available to common shareholders	$ 37,407	$ 24,503
Weighted-average number of common shares outstanding - Basic (i)	210,594,545	210,478,322
Incremental shares from vesting of restricted share units	58,567	157,001
Weighted-average number of common shares outstanding - Diluted	210,653,112	210,635,323
Basic net income per common share attributable to Arcos Dorados Holdings Inc.	**$ 0.18**	**$ 0.12**
Diluted net income per common share attributable to Arcos Dorados Holdings Inc.	**$ 0.18**	**$ 0.12**

12. 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.

12. Related party transactions (continued)

The following table summarizes the outstanding balances between the Company and the Axionlog Business as of March 31, 2023 and December 31, 2022:

	As of	
	March 31, 2023 (Unaudited)	**December 31, 2022**
Other receivables	4,752	4,156
Miscellaneous	4,121	3,979
Accounts payable	(17,266)	(19,893)

The following table summarizes the transactions between the Company and the Axionlog Business for the three-month periods ended March 31, 2023 and 2022:

	For the three-month periods ended March 31,	
	2023 (Unaudited)	**2022 (Unaudited)**
Food and paper (i)	$ (69,497)	$ (54,187)
Occupancy and other operating expenses	(2,149)	(1,546)

(i) Includes $14,817 of distribution fees and $54,680 of suppliers purchases managed through the Axionlog Business for the three-month period ended March 31, 2023; and, $11,411 and $42,776, respectively, for the three-month period ended March 31, 2022.

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

	2023		**2022**	
	Lacoop II, S.C	**Saile (i)**	**Lacoop II, S.C**	**Saile (i)**
Other receivables	$ 2,617	$ 249	$ 2,423	$ 319
Accounts payable	(4,154)	—	(5,376)	—

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

13. 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.

13. Disclosures about fair value of financial instruments (continued)

The Company utilizes market data or assumptions that market participants who are independent, knowledgeable and willing and able to transact would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company attempts to utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the observance of those inputs. The guidance establishes a formal fair value hierarchy based on the inputs used to measure fair value. The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements, and accordingly, level 1 measurement should be used whenever possible.

The three levels of the fair value hierarchy as defined by the guidance are as follows:

Level 1: Valuations utilizing quoted, unadjusted prices for identical assets or liabilities in active markets that the Company has the ability to access. This is the most reliable evidence of fair value and does not require a significant degree of judgment. Examples include exchange-traded derivatives and listed equities that are actively traded.

Level 2: Valuations utilizing quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Financial instruments that are valued using models or other valuation methodologies are included. Models used should primarily be industry-standard models that consider various assumptions and economic measures, such as interest rates, yield curves, time value, volatilities, contract terms, current market prices, credit risk or other market-corroborated inputs. Examples include most over-the-counter derivatives (non-exchange traded), physical commodities, most structured notes and municipal and corporate bonds.

Level 3: Valuations utilizing significant unobservable inputs provides the least objective evidence of fair value and requires a significant degree of judgment. Inputs may be used with internally developed methodologies and should reflect an entity's assumptions using the best information available about the assumptions that market participants would use in pricing an asset or liability. Examples include certain corporate loans, real-estate and private equity investments and long-dated or complex over-the-counter derivatives.

Depending on the particular asset or liability, input availability can vary depending on factors such as product type, longevity of a product in the market and other particular transaction conditions. In some cases, certain inputs used to measure fair value may be categorized into different levels of the fair value hierarchy. For disclosure purposes under this guidance, the lowest level that contains significant inputs used in valuation should be chosen. Pursuant to ASC 820-10-50, the Company has classified its assets and liabilities into these levels depending upon the data relied on to determine the fair values. The fair values of the Company's derivatives are valued based upon quotes obtained from counterparties to the agreements and are designated as Level 2.

13. Disclosures about fair value of financial instruments (continued)

The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022:

	Quoted Prices in Active Markets For Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)			
	As of March 31, 2023 (Unaudited)	As of December 31, 2022	As of March 31, 2023 (Unaudited)	As of December 31, 2022	As of March 31, 2023 (Unaudited)	As of December 31, 2022	Balance as of March 31, 2023 (Unaudited)	Balance as of December 31, 2022
Assets								
Cash equivalents	$ 152,961	$ 173,653	$ —	$ —	$ —	$ —	$ 152,961	$ 173,653
Short-term Investments	$ 20,000	$ 25,000	$ 12,434	$ 12,459	$ —	$ —	$ 32,434	$ 37,459
Derivatives	$ —	$ —	$ 88,249	$ 93,177	$ —	$ —	$ 88,249	$ 93,177
Total Assets	**$ 172,961**	**$ 198,653**	**$ 100,683**	**$ 105,636**	**$ —**	**$ —**	**$ 273,644**	**$ 304,289**
Liabilities								
Derivatives	$ —	$ —	$ 33,542	$ 29,529	$ —	$ —	$ 33,542	$ 29,529
Total Liabilities	**$ —**	**$ —**	**$ 33,542**	**$ 29,529**	**$ —**	**$ —**	**$ 33,542**	**$ 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

At March 31, 2023, the fair value of the Company's short term and long-term debt was estimated at $684,898, compared to a carrying amount of $747,122 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 March 31, 2023, no material fair value adjustments or fair value measurements were required for non-financial assets or liabilities.