

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(In millions of U.S. dollars, except share data)

	As of December 31,	
	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,533	\$ 913
Accounts and notes receivable, net of allowance of \$13 and \$14, respectively	527	452
Inventories, net	84	75
Prepays and other current assets	52	60
Total current assets	2,196	1,500
Property and equipment, net of accumulated depreciation and amortization of \$746 and \$704, respectively	2,007	1,996
Operating lease assets, net	1,176	—
Intangible assets, net	10,563	10,463
Goodwill	5,651	5,486
Net investment in property leased to franchisees	48	54
Other assets, net	719	642
Total assets	<u>\$ 22,360</u>	<u>\$ 20,141</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts and drafts payable	\$ 644	\$ 513
Other accrued liabilities	790	637
Gift card liability	168	167
Current portion of long term debt and finance leases	101	91
Total current liabilities	1,703	1,408
Term debt, net of current portion	11,759	11,823
Finance leases, net of current portion	288	226
Operating lease liabilities, net of current portion	1,089	—
Other liabilities, net	1,698	1,547
Deferred income taxes, net	1,564	1,519
Total liabilities	18,101	16,523
Commitments and contingencies (Note 18)		
Shareholders' equity:		
Common shares, no par value; unlimited shares authorized at December 31, 2019 and December 31, 2018; 298,281,081 shares issued and outstanding at December 31, 2019; 251,532,493 shares issued and outstanding at December 31, 2018	2,478	1,737
Retained earnings	775	674
Accumulated other comprehensive income (loss)	(763)	(800)
Total Restaurant Brands International Inc. shareholders' equity	2,490	1,611
Noncontrolling interests	1,769	2,007
Total shareholders' equity	4,259	3,618
Total liabilities and shareholders' equity	<u>\$ 22,360</u>	<u>\$ 20,141</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Directors:

By: /s/ Daniel Schwartz
Daniel Schwartz, Co-Chairman

By: /s/ Ali Hedayat
Ali Hedayat, Director

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(In millions of U.S. dollars, except per share data)

	2019	2018	2017
Revenues:			
Sales	\$ 2,362	\$ 2,355	\$ 2,390
Franchise and property revenues	3,241	3,002	2,186
Total revenues	5,603	5,357	4,576
Operating costs and expenses:			
Cost of sales	1,813	1,818	1,850
Franchise and property expenses	540	422	478
Selling, general and administrative expenses	1,264	1,214	416
(Income) loss from equity method investments	(11)	(22)	(12)
Other operating expenses (income), net	(10)	8	109
Total operating costs and expenses	3,596	3,440	2,841
Income from operations	2,007	1,917	1,735
Interest expense, net	532	535	512
Loss on early extinguishment of debt	23	—	122
Income before income taxes	1,452	1,382	1,101
Income tax expense (benefit)	341	238	(134)
Net income	1,111	1,144	1,235
Net income attributable to noncontrolling interests (Note 14)	468	532	587
Preferred shares dividends	—	—	256
Gain on redemption of preferred shares (Note 13)	—	—	(234)
Net income attributable to common shareholders	\$ 643	\$ 612	\$ 626
Earnings per common share:			
Basic	\$ 2.40	\$ 2.46	\$ 2.64
Diluted	\$ 2.37	\$ 2.42	\$ 2.54
Weighted average shares outstanding:			
Basic	268	249	237
Diluted	469	473	477

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)

(In millions of U.S. dollars)

	2019	2018	2017
Net income	\$ 1,111	\$ 1,144	\$ 1,235
Foreign currency translation adjustment	409	(831)	824
Net change in fair value of net investment hedges, net of tax of \$32, \$(101), and \$13	(86)	282	(371)
Net change in fair value of cash flow hedges, net of tax of \$29, \$7, and \$4	(77)	(19)	(11)
Amounts reclassified to earnings of cash flow hedges, net of tax of \$(6), \$(5), and \$(9)	15	14	25
Gain (loss) recognized on defined benefit pension plans, net of tax of \$1, \$0, and \$2	(2)	1	4
Other comprehensive income (loss)	259	(553)	471
Comprehensive income (loss)	1,370	591	1,706
Comprehensive income (loss) attributable to noncontrolling interests	571	276	818
Comprehensive income (loss) attributable to preferred shareholders	—	—	22
Comprehensive income (loss) attributable to common shareholders	\$ 799	\$ 315	\$ 866

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
(In millions of U.S. dollars, except shares)

	Issued Common Shares		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount				
Balances at December 31, 2016	234,236,678	\$ 1,955	\$ 446	\$ (698)	\$ 1,786	\$ 3,489
Stock option exercises	5,102,046	29	—	—	—	29
Share-based compensation	—	46	—	—	—	46
Issuance of shares	274,272	8	—	—	—	8
Dividends declared on common shares (\$0.78 per share)	—	—	(186)	—	—	(186)
Dividend equivalents declared on restricted stock units	—	2	(2)	—	—	—
Distributions declared by Partnership on partnership exchangeable units (\$0.78 per unit)	—	—	—	—	(175)	(175)
Preferred share dividends	—	—	(256)	—	—	(256)
Repurchase of Partnership exchangeable units for RBI common shares	—	(272)	—	(9)	(49)	(330)
Exchange of Partnership exchangeable units for RBI common shares	4,286,480	50	—	(8)	(42)	—
Restaurant VIE contributions (distributions)	—	—	—	—	(4)	(4)
Gain on redemption of preferred shares (Note 13)	—	234	—	—	—	234
Net income	—	—	649	—	586	1,235
Other comprehensive income (loss)	—	—	—	239	232	471
Balances at December 31, 2017	243,899,476	\$ 2,052	\$ 651	\$ (476)	\$ 2,334	\$ 4,561
Cumulative effect adjustment (Note 16)	—	—	(132)	—	(118)	(250)
Stock option exercises	7,221,947	61	—	—	—	61
Share-based compensation	—	48	—	—	—	48
Issuance of shares	225,737	7	—	—	—	7
Dividends declared on common shares (\$1.80 per share)	—	—	(452)	—	—	(452)
Dividend equivalents declared on restricted stock units	—	5	(5)	—	—	—
Distributions declared by Partnership on partnership exchangeable units (\$1.80 per units)	—	—	—	—	(387)	(387)
Repurchase of Partnership exchangeable units	—	(438)	—	(26)	(97)	(561)
Exchange of Partnership exchangeable units for RBI common shares	185,333	2	—	(1)	(1)	—
Net income	—	—	612	—	532	1,144
Other comprehensive income (loss)	—	—	—	(297)	(256)	(553)
Balances at December 31, 2018	251,532,493	\$ 1,737	\$ 674	\$ (800)	\$ 2,007	\$ 3,618
Cumulative effect adjustment (Note 10)	—	—	12	—	9	21
Stock option exercises	4,495,897	102	—	—	—	102
Share-based compensation	—	68	—	—	—	68
Issuance of shares	236,299	7	—	—	—	7
Dividends declared on common shares (\$2.00 per share)	—	—	(545)	—	—	(545)
Dividend equivalents declared on restricted stock units	—	9	(9)	—	—	—
Distributions declared by Partnership on partnership exchangeable units (\$2.00 per unit)	—	—	—	—	(382)	(382)
Exchange of Partnership exchangeable units for RBI common shares	42,016,392	555	—	(119)	(436)	—
Net income	—	—	643	—	468	1,111
Other comprehensive income (loss)	—	—	—	156	103	259
Balances at December 31, 2019	298,281,081	\$ 2,478	\$ 775	\$ (763)	\$ 1,769	\$ 4,259

See accompanying notes to consolidated financial statements.

RESTAURANT BRANDS INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(In millions of U.S. dollars)

	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 1,111	\$ 1,144	\$ 1,235
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	185	180	182
Premiums paid and non-cash loss on early extinguishment of debt	16	—	119
Amortization of deferred financing costs and debt issuance discount	29	29	33
(Income) loss from equity method investments	(11)	(22)	(12)
Loss (gain) on remeasurement of foreign denominated transactions	(14)	(33)	77
Net (gains) losses on derivatives	(49)	(40)	31
Share-based compensation expense	68	48	48
Deferred income taxes	58	29	(742)
Other	6	5	18
Changes in current assets and liabilities, excluding acquisitions and dispositions:			
Accounts and notes receivable	(53)	19	(30)
Inventories and prepaids and other current assets	(15)	(7)	19
Accounts and drafts payable	112	41	14
Other accrued liabilities and gift card liability	(51)	(219)	360
Tenant inducements paid to franchisees	(54)	(52)	(20)
Other long-term assets and liabilities	138	43	59
Net cash provided by operating activities	1,476	1,165	1,391
Cash flows from investing activities:			
Payments for property and equipment	(62)	(86)	(37)
Net proceeds from disposal of assets, restaurant closures and refranchisings	8	8	26
Net payment for purchase of Popeyes, net of cash acquired	—	—	(1,636)
Settlement/sale of derivatives, net	24	17	772
Other investing activities, net	—	17	17
Net cash used for investing activities	(30)	(44)	(858)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	2,250	75	5,850
Repayments of long-term debt and finance leases	(2,266)	(74)	(2,742)
Payments in connection with redemption of preferred shares	—	(60)	(3,006)
Payment of financing costs	(50)	(3)	(63)
Payment of dividends on common and preferred shares and distributions on Partnership exchangeable units	(901)	(728)	(664)
Repurchase of Partnership exchangeable units	—	(561)	(330)
Proceeds from stock option exercises	102	61	29
Proceeds from derivatives	23	—	—
Other financing activities, net	—	5	(10)
Net cash used for financing activities	(842)	(1,285)	(936)
Effect of exchange rates on cash and cash equivalents	16	(20)	24
Increase (decrease) in cash and cash equivalents	620	(184)	(379)
Cash and cash equivalents at beginning of period	913	1,097	1,476
Cash and cash equivalents at end of period	\$ 1,533	\$ 913	\$ 1,097
Supplemental cash flow disclosures:			
Interest paid	\$ 584	\$ 561	\$ 447
Income taxes paid	\$ 248	\$ 433	\$ 200

See accompanying notes to consolidated financial statements.