IBERSOL – SGPS, SA

Publicly Listed Company

Registered office: Praça do Bom Sucesso, 105/159, 9th floor, Porto
Share Capital Euros 36.000.000
Commercial Registry: Oporto under number 501669477
Fiscal number: 501669477

Consolidated Report & Accounts
9M2018
(not audited)

- **Consolidated Turnover of 335.7 million euros**
  Increase of 1.0% over 9M of 2017
- **Consolidated EBITDA reached 48.3 million euros**
  Ebitda increased 3.0% over 9M of 2017.
- **Consolidated net profit of 23.9 million euros**
  Increase of 9.3% when compared to the 9M of 2017.

Consolidated Management Report

Activity

Consolidated turnover for the nine months of the year amounted to EUR 335.7 million, compared to EUR 332.5 million in the same period of the previous year, broken down as follows:

Turnover	9M 2018 euro million	9M 2018 % Ch. 18/17
Sales of Restaurants	323,19	-1,2%
Sales of Merchandise	9,17	404,8%
Services Rendered	3,33	-9,9%
Net Sales & Services	335,70	1,0%

The positive evolution of the market in Portugal - it is estimated a market increase by around 6% - coupled with the effects of the openings during 2017,contributed to the growth of turnover of 12% in Portugal.

In Spain, in the third quarter there was a slight slowdown in consumption, with growth of less than 1%. In retail, the Group increased around 3%, including the sale of merchandise.

The positive evolution of the Iberian market allowed to minimize 2 relevant impacts on the Group's activity:

a) important turnover reduction in Angola, due to the sharp devaluation of AKZ (78%) against the EURO (EUR), without having been reflected in a similar increase of the sales price, which only increased 22%;
b) the planned reduction in the number of restaurants that we stopped operating at the Barcelona airport since the beginning of May, in result of the change in the new concession's share from 70% to 40%. The impact of this loss has not yet been offset by new concessions at other airports, because they are still in the converting process and total restaurant area availability.

The activity of the third quarter was marked by the provisional operation of most restaurants, in the new concessions at Barcelona, Gran Canária and Málaga airports.

At Barcelona airport, where we stopped operating since May 36% of restaurants, only 2 were already converted to the final shape. From a total of 19 restaurants, 89% are operating provisionally or with work in progress.
At Málaga airport, of a total of 6 assigned restaurants, we are operating only 5 in small and provisional format.
At Gran Canaria airport, of a total of 6 restaurants won, only 2 are operating on the final concept and 1 operating as provisional.

The conversion to the new restaurants is expected to be completed until the end of the first half of next year.

As a result of these effects, consolidated restaurant sales reached 323.2 million euros, a decrease of 1.2%, compared to 327.0 million euros in the same period.

SALES IN RESTAURANTS	9M 2018 euro million	% Ch. 18/17
Restaurants	74,57	1,9%
Counters	149,71	1,8%
Concessions&Catering	98,91	-7,4%
Total Sales	323,19	-1,2%

Restaurants and counters segments performed in the way, with the good performance of the Pizza Hut, Burger King and KFC brands in Iberia.

In the counters segment, even including KFC's activity in Angola (which decreased by 33% in euros), the brands that we operate in the Iberian Peninsula, maintained the trend observed in the first semester with market share gains and growth rates influenced by a higher number of units operating.

The "Concessions and Catering" segment sales decreased, compared to the same period of the previous year, resulting from the end of the operation of 36% of concession restaurants at Barcelona Airport. Eliminating this effect, the growth of the segment would be 4.5%.

During this period, 19 other units were closed in Spain, 16 of which franchises and 2 units in Italy, continuing the process of the network readjustment.

In Portugal, the closures of two Pasta Caffé restaurants, a KFC restaurant and the Exponor concession unit occurred due to the end of the respective lease agreement.

Following the expansion strategy, the openings of 4 franchised units (Pans and Ribs) and 16 equity restaurants, 8 of which concessioned (one at Barajas airport in Madrid, three provisional points of sale, in the concession of Gran Canaria airport, 2 converted in Barcelona and 2 at Malaga airports. In addition, the opening of 6 new restaurants in Portugal (PH, BK and KFC) and two restaurants in Spain (Pans and Ribs).

At the end of the 3rd quarter, the total number of restaurants was 626 (496 equity and 130 franchises), as shown below:

Nº of Restaurants	2017 31-Dec	Openings	Transfer	Closures	2018 30-Sep
PORTUGAL	316	6		4	318
Equity Restaurants	315	6		4	317
Pizza Hut	91	2			93
Okilo+MIIT+Ribs	4				4
Pans+Roulotte	46				46
Burger King	77	1			78
KFC	22	3		1	24
Pasta Caffé	9			2	7
Quiosques	8				8
Coffee Shops	27				27
Catering	7				7
Concessions & Other	24			1	23
Franchise Restaurants	1				1
SPAIN	312	13		34	291
Equity Restaurants	177	10		18	169
Pizza Móvil	31		-2	1	28
Pizza Hut	3		2		5
Burger King	33				33
Pans	35	1		1	35
Ribs	9	1			10
FrescCo	3				3
Concessions	63	8		16	55
Franchise Restaurants	135	3		16	122
Pizza Móvil	16				16
Pans	58	2		7	53
Ribs	28	1		1	28
FrescCo	8			1	7
SantaMaria	25			7	18
ANGOLA	10				10
KFC	9				9
Pizza Hut	1				1
Other Locations - Franchise Restaurants	8	1		2	7
Pans Italy	8	1		2	7
Total Equity Restaurants	502	16	0	22	496
Total Franchise Restaurants	144	4	0	18	130
TOTAL	646	20	0	40	626

Results

The consolidated net income of 9M amounted to Eur 23.8 million euros. Excluding the effect of the application of IAS29, the net result would be 22.6 million euros, 0.7 million euros higher than the same period of 2017.

Gross margin was 75.5% of turnover, 1.6p.p lower than the previous year. This reduction results from a higher weight of merchandise sales. Without this effect the gross margin was 76.9% (9M17: 77.1%).

Staff costs increased 0.3%, which represents a decrease to 29.9% of the turnover (9M17: 30.1%).

External Supplies and services: decrease of 0.4%, representing 32.8% of turnover, 0.5 pp less than in 9M 2017, despite the rents increase in new airport concessions, that fully support the cost but are not in full operation.

Other operating income amounted to 7.0 million euros, which represents a slight reduction of 1.6% over the same period of the previous year.

Other operating costs amounted to 1.5 million euros, of which 0.7 million in fees and taxes and 0.4 million euros to operating loan impairments.

Therefore **EBITDA** amounted to 48.3 million euros, a decrease of 3.0% over 9M17, strongly influenced by the reduction of activity at Barcelona and activity in Angola, as stated above.

Consolidated **EBITDA** margin stood at 14.4% of turnover, a decresae of 0.6 pp compared to the same period of 2017 (15.0%).

Consolidated **EBIT** margin was 8.9% of turnover, corresponding to an operating result of 29.8 million euros, which represents an increase of 0.2p.p compared to the same period of 2017, with 28.8 million of euros. To this result contributed a reduction in the value of depreciation, which represents 5.5% of turnover (6.3% in the first nine months of 2017). This reduction mainly results from the extension of the operation at the Barcelona airport for a period after the final data of the concession agreement in December 2017.

Consolidated **Net Financing cost** were 2.8 million euros, around 0.8 million euros lower than 9M17. However it should be noted that in the first half of 2018 this item includes around 0.9 million euros corresponding to the account of the discounted value of the collateral provided in Spain, namely those required by the signed agreements into for the new concessions.

Average cost of loans, which stood at 2.2%, lower than 9M17 (2.5%), due to the reduction of interest rates and the dilution of the weight of the debt in Angola.

The **income tax** for the period amounts to 4.5 million euros, which represents an effective rate of 16%, lower than the nominal rate, mainly due to the tax benefits of 2.4 million euros, under of the Investment Tax Code (CFI).

Financial Situation

Total Assets amounted to 438 million euros and equity stood at 203.6 million euros, representing 46,4% of assets.

CAPEX reached 18.5 million euros. About 11.2 million euros for the investment incurred in new restaurant openings and works in progress, the remainder for the refurbishment and reconversion of some restaurants.

Net debt at 30th September 2018 amounted to 69.5 million euros, 13.6 milion euros lower than at the end of 2017.

Treasury Stock

By resolution of the General Shareholders Meeting held on 14th May 2018, the share capital increased from 30,000,000 to 36,000,000 euros through the incorporation of reserves. This operation was registered at the Commercial Registry of Oporto at 15th June 2018 and the allocation of the new shares took place last July.

As a result of the capital increase, the company held 3,599,926 own shares. By purchasing the remaining fractions, the company acquired 56 new shares at the average price of Euro 9.73, holding a 9.9999% of the share capital, acquired by 11.180.517 euros, corresponding to an average price per share of Euro 3.11.

Risks and Uncertainties

In Angola, the steps taken to improve payments abroad are helping to soften one of the major risks that has been building up over the last three years.
The evolution of the Angolan currency and economy is an uncertainty, which could lead to a consumption and sales decrease in the restaurants.

Outlook

In Iberia, it is expected a sales growth pace in line with what is has seen in recent months.

In Angola, is expected a decrease in consumption with the inherent drop in transactions. The inability to increase prices at the pace of devaluation, will lead to a decrease in the profitability of our operations. We expect that the devaluation rate may slow down in the coming months.

Following the contests won in the concessions in Spain, it is expected that the opening of 11 units will take place until the end of the year at the airports of Barcelona, Gran Canaria and Malaga until the end of 2018. The remaining 17 units wil only have definitive opening next year.

The group remains attentive to expansion opportunities in Travel. We presented a proposal to Alicante airport tender, currently under evaluation.

In terms of openings outside the concession areas, we will try to remain the rhythm of the expansion plans of recent years, with the opening of more than a dozen restaurants.

In the first semester, an agreement between Pizza Hut ans Telepizza was announced, under which Pizza Hut will assign the rights associated with a master franchise in the Iberian Peninsula and throughout Latin America and South America, exception Brazil. As result, Ibersol will become directly related to Telepizza and only indirectly to Pizza Hut.

Ibersol will manitain the operation of the existing restaurants on the contracted terms and will have to agree with Telepizza the future development of new locations and renewals of the contracts, when they occur.

As reported in the first quarter, the business is still dependent on approvals from different authorities. Despite this fact we are in negotiations with Telepizza to define the future relationship framework.

Porto, 22nd November 2018

António Carlos Vaz Pinto de Sousa

António Alberto Guerra Leal Teixeira

Juan Carlos Vázquez-Dodero

Declaration of Conformity

In compliance with paragraph c) of section 1 of Article 246 of the Securities Market Code each member of the board identified below declares that to the best of their knowledge:

(i) the consolidated financial statements of Ibersol SGPS SA, referring to the first nine months of 2018 were drawn up in compliance with applicable accounting rules and provide a true and suitable picture of the assets and liabilities, financial situation and results of Ibersol SGPS, SA and the companies included in consolidation perimeter, and

(ii) the interim management report includes a fair review of the important events that have occurred in the period, the evolution of business performance and the position of all the companies included in consolidation.

Porto, 22nd November 2018

António Carlos Vaz Pinto Sousa	Chairman of the Boards of Director
António Alberto Guerra Leal Teixeira	Member of the Board of Directors
Juan Carlos Vázquez-Dodero	Member of the Board of Directors

Ibersol S.G.P.S., S.A.

Consolidated Interim Financial Statements

30th September 2018

IBERSOL S.G.P.S., S.A.
INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION ON 30th SEPTEMBER 2018 AND 31st DECEMBER 2017
(values in euros)

ASSETS	Notes	30/09/2018 (unaudited)	31/12/2017
Non-current			
Tangible fixed assets	8	191 175 611	197 972 217
Goodwill	9	92 862 786	92 862 786
Intangible assets	9	35 124 311	35 115 966
Financial investments - joint controlled subsidiaries		2 451 660	2 420 386
Available-for-sale financial assets		198 620	233 108
Other financial assets	19	16 902 763	17 823 906
Other non-current assets	16	14 935 320	6 335 385
Total non-current assets		**353 651 071**	**352 763 754**
Current			
Stocks		10 715 984	12 089 907
Cash and bank deposits		43 844 987	34 902 883
Income tax receivable		2 895 996	5 046 070
Other financial assets	19	2 434 853	5 162 755
Other current assets	16	24 615 370	19 823 562
Total current assets		**84 507 190**	**77 025 177**
Total Assets		**438 158 260**	**429 788 931**

EQUITY AND LIABILITIES	Notes	30/09/2018 (unaudited)	31/12/2017
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	10	36 000 000	30 000 000
Own shares		-11 180 517	-11 179 969
Share prize		469 937	469 937
Legal reserves		755 581	263 001
Conversion Reserves		-6 994 082	-2 012 886
Other Reserves & Retained Results		160 461 724	139 507 205
Net profit in the year		23 680 883	30 849 460
Total Shareholders Equity		**203 193 526**	**187 896 748**
Non-controlling interest		466 606	723 445
Total Equity		**203 660 132**	**188 620 193**
LIABILITIES			
Non-current			
Loans		91 190 685	107 687 759
Deferred tax		7 817 244	9 132 498
Provisions		4 489 724	4 489 724
Derivative financial instrument		217 867	235 455
Other non-current liabilities		157 556	179 192
Total non-current liabilities		**103 873 076**	**121 724 628**
Current			
Loans		41 485 814	33 326 982
Accounts payable to suppliers and accrued costs		73 934 248	67 522 339
Income tax payable		2 079 864	324 744
Other current liabilities	16	13 125 126	18 270 045
Total current liabilities		**130 625 052**	**119 444 110**
Total Liabilities		**234 498 128**	**241 168 738**
Total Equity and Liabilities		**438 158 260**	**429 788 931**

The Board of Directors,

IBERSOL S.G.P.S., S.A.

INTERIM CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER, 2018 AND 2017

(values in euros)

	Notes	30/09/2018 (unaudited)	30/09/2017 (unaudited)
Operating Income			
Sales	6	332 366 730	328 811 926
Rendered services	6	3 333 699	3 699 549
Other operating income	7	7 055 399	7 170 275
Total operating income		342 755 828	339 681 750
Operating Costs			
Cost of sales		82 157 744	76 132 002
External supplies and services		110 257 516	110 685 505
Personnel costs		100 467 454	100 168 032
Amortisation, depreciation and impairment losses of TFA and IA	8 e 9	18 568 399	21 042 868
Other operating costs		1 541 698	2 873 195
Total operating costs		312 992 811	310 901 602
Operating Income		29 763 017	28 780 148
Net financing cost	17	2 861 073	3 668 939
Gains (losses) in joint controlled subsidiaries - Equity method		31 275	24 126
Gains (losses) in financial investments		-370 000	-
Gains (losses) on Net monetary position	8 e 9	1 778 155	-
Profit before tax		**28 341 374**	**25 135 335**
Income tax expense	18	4 472 683	3 290 877
Net profit		**23 868 691**	**21 844 458**
Other comprehensive income:			
Change in currency conversion reserve (net of tax and that can be recycled for results)		-4 981 196	19 413
TOTAL COMPREHENSIVE INCOME		**18 887 495**	**21 863 871**
Net profit attributable to:			
Owners of the parent		23 680 883	21 474 681
Non-controlling interest		187 808	369 777
		23 868 691	21 844 458
Total comprehensive income attributable to:			
Owners of the parent		18 699 687	21 494 094
Non-controlling interest		187 808	369 777
		18 887 495	21 863 871
Earnings per share:	10		
Basic		**0,73**	**0,66**
Diluted		**0,73**	**0,66**

The Board of Directors,

IBERSOL S.G.P.S., S.A.
INTERIM CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD TRIMESTER OF 2018 AND 2017
(values in euros)

	Notes	3rd TRIMESTER (unaudited)	
Operating Income			
Sales		123 471 094	126 840 515
Rendered services		904 595	1 319 855
Other operating income		2 560 652	2 234 829
Total operating income		126 936 341	130 395 199
Operating Costs			
Cost of sales		30 929 207	29 080 190
External supplies and services		39 404 556	41 002 430
Personnel costs		34 282 768	35 340 676
Amortisation, depreciation and impairment losses of TFA and IA		6 150 700	6 970 644
Other operating costs		494 058	813 102
Total operating costs		111 261 289	113 207 042
Operating Income		15 675 052	17 188 157
Net financing cost		588 602	1 214 371
Gains (losses) in joint controlled subsidiaries - Equity method		7 709	-1 075
Gains (losses) in financial investments		-	-
Gains (losses) on Net monetary position		897 320	-
Profit before tax		**15 991 479**	**15 972 711**
Income tax expense		2 989 116	3 809 189
Net profit		**13 002 363**	**12 163 522**
Other comprehensive income:			
Change in currency conversion reserve (net of tax and that can be recycled for results)		-1 218 929	11 009
TOTAL COMPREHENSIVE INCOME		**11 783 434**	**12 174 531**
Net profit attributable to:			
Owners of the parent		12 940 216	11 974 132
Non-controlling interest		62 147	189 390
		13 002 363	12 163 522
Total comprehensive income attributable to:			
Owners of the parent		11 721 287	11 985 141
Non-controlling interest		62 147	189 390
		11 783 434	12 174 531
Earnings per share:			
Basic		**0,40**	**0,37**
Diluted		**0,40**	**0,37**

The Board of Directors,

IBERSOL S.G.P.S., S.A.
Interim Statement of Alterations to the Consolidated Equity
for the nine months period ended 30th September, 2018 and 2017 (unaudited)
(value in euros)

	Note	Assigned to shareholders								Interests that do not control	Total Equity
		Share Capital	Own Shares	Share prize	Legal Reserves	Conversion Reserves	Other Reserves & Retained Results	Net Profit	Total parent equity		
Balance on 1 January 2017		24 000 000	-11 179 348	469 937	1	-2 002 180	117 052 548	23 387 471	151 728 429	333 399	152 061 828
Changes in the period:											
Application of the consolidated profit from 2016:											
Transfer to reserves and retained results					263 000		23 124 471	-23 387 471	-		-
Share capital increase		6 000 000					-6 000 000		-		-
Conversion reserves - Angola						19 413			19 413		19 413
Acquisition / (disposal) of own shares			-621						-621		-621
Net consolidated income in the nine month period ended on 30 September 2017								21 474 681	21 474 681	369 777	21 844 458
Total changes in the period		6 000 000	- 621	-	263 000	19 413	17 124 471	-1 912 790	21 493 473	369 777	21 863 250
Net profit								**21 474 681**	**21 474 681**	**369 777**	**21 844 458**
Total comprehensive income									21 494 094	369 777	21 863 871
Transactions with capital owners in the period											
Application of the consolidated profit from 2016:											
Paid dividends							-2 160 010		-2 160 010		-2 160 010
		-	-	-	-	-	-2 160 010	-	-2 160 010	-	-2 160 010
Balance on 30 September 2017		**30 000 000**	**-11 179 969**	**469 937**	**263 001**	**-1 982 767**	**132 017 009**	**21 474 681**	**171 061 892**	**703 176**	**171 765 068**
Balance on 1 January 2018		30 000 000	-11 179 969	469 937	263 001	-2 012 886	139 507 205	30 849 460	187 896 747	723 445	188 620 192
IFRS 9 change							-702 358		-702 358		-702 358
IFRS 15 change							-		-		-
Changes in the period:											
Application of the consolidated profit from 2017:											
Transfer to reserves and retained results					492 580		30 356 880	-30 849 460	-		-
Share capital increase		6 000 000					-6 000 000		-		-
Conversion reserves - Angola						-4 981 196			-4 981 196		-4 981 196
Acquisition / (disposal) of own shares			-548						-548		-548
Net consolidated income in the nine month period ended on 30 September 2018								23 680 883	23 680 883	187 808	23 868 691
Total changes in the period		6 000 000	- 548	-	492 580	-4 981 196	24 356 880	-7 168 577	18 699 139	187 808	18 886 947
Net profit								**23 680 883**	**23 680 883**	**187 808**	**23 868 691**
Total comprehensive income									18 699 687	187 808	18 887 495
Transactions with capital owners in the period											
Application of the consolidated profit from 2017:											
Paid dividends							-2 700 006		-2 700 006	-444 647	-3 144 653
		-	-	-	-	-	-2 700 006	-	-2 700 006	-444 647	-3 144 653
Balance on 30 September 2018		**36 000 000**	**-11 180 517**	**469 937**	**755 581**	**-6 994 082**	**160 461 720**	**23 680 883**	**203 193 521**	**466 605**	**203 660 127**

The Board of Directors,

IBERSOL S.G.P.S., S.A.
Interim Consolidated Cash Flow Statements
for the nine months period ended 30 September, 2018 and 2017
(value in euros)

	Note	Nine months period ending on September 30 (unaudited) 2018	2017
Cash Flows from Operating Activities			
Receipts from clients		333 029 070	332 146 083
Payments to supliers		-173 647 547	-184 548 568
Staff payments		-99 575 291	-76 998 068
Payments/receipt of income tax		-1 135 401	-1 306 475
Other paym./receipts related with operating activities		-19 172 772	-8 536 016
Flows from operating activities (1)		**39 498 059**	**60 756 956**
Cash Flows from Investment Activities			
Receipts from:			
Financial investments		139 763	19 049
Tangible fixed assets		22 620	5 731
Intangible assets			
Investment benefits		85 272	
Interest received		1 197 182	920 448
Dividends received			
Other		5 005 817	
Payments for:			
Financial Investments		1 627 536	64 600
Other financial assets		2 907 912	3 126 100
Tangible fixed assets		15 800 211	24 358 808
Intangible assests		2 734 168	801 542
Other		4 000 000	
Flows from investment activities (2)		-20 619 173	-27 405 822
Cash flows from financing activities			
Receipts from:			
Loans obtained		9 421 418	4 535 475
Sale of own shares			
Payments for:			
Loans obtained		12 878 598	21 571 360
Amortisation of financial leasing contracts		1 100 455	1 378 987
Interest and similar costs		4 278 964	4 247 737
Dividends paid		3 144 647	2 160 010
Acquisition of own shares		548	621
Flows from financing activities (3)		-11 981 794	-24 823 240
Change in cash & cash equivalents (4)=(1)+(2)+(3)		**6 897 092**	**8 527 894**
Perimeter changes effect			
Exchange rate differences effect			1 424
Cash & cash equivalents at the start of the period		34 882 539	37 782 889
Cash & cash equivalents at end of the period		**41 779 631**	**46 312 207**

The Board of Directors,

IBERSOL SGPS, S.A.

ANNEX TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 2018

(Values in euros)

1. INTRODUCTION

IBERSOL, SGPS, SA ("Company" or "Ibersol") has its head office at Praça do Bom Sucesso, Edifício Península n.º 105 a 159 – 9º, 4150-146 Porto, Portugal. Ibersol's subsidiaries (jointly called the Group), operate a network of 626 units in the restaurant segment through the brands Pizza Hut, Pasta Caffé, Pans & Company, Ribs, FresCo, SantaMaria, Kentucky Fried Chicken, Burger King, O' Kilo, Roulotte, Quiosques, Pizza Móvil, Miit, Sol, Sugestões e Opções, Silva Carvalho Catering e Palace Catering, coffe counters and other concessions. The group has 496 units which it operates and 130 units under a franchise contract. Of this universe, 291 are headquartered in Spain, of which 169 are own establishments and 122 are franchised establishments, and 10 in Angola.

Ibersol is a public limited company listed on the Euronext of Lisbon.

Ibersol SGPS parent company is ATPS - SGPS, S.A ..

2. MAIN ACCOUNTING POLICIES

The main accounting policies applied in preparing these consolidated financial statements are described below.

2.1 Presentation basis

These consolidated interim financial statements were prepared according to the international standard nº. 34 – Interim Financial Report, and therefore do not include all the information required by the annual financial statements, and should be read together with the company's financial statements for the period ended 31 December 2017.

The consolidated interim financial statements have been prepared in accordance with the historical cost principle, changed to fair value in the case of derivative financial instruments.

The accounting policies applied on 30 September 2018 are identical to those applied for preparing the financial statements of 30 September and 31 December 2017, except for the exchange currency differences included in other income / other operating costs and excluded from net financing cost.

3. CHANGE OF ACCOUNTING POLICIES, ERRORS AND ESTIMATES

The Group adopted for the first time, on January 1, 2018, the new IFRS 15 - Revenue contracts and IFRS 9 - Financial Instruments, without restatement of the comparative financial statements.

3.1. IFRS 15 - Revenue contracts with clients

IFRS 15 applies to all revenue arising from contracts with customers (except for contracts covered by other standards), implying amendments to several IAS / IFRS / IFRIC / SIC and the repeal of IAS 11 and 18, IFRIC 13, 15 and 18 and SIC 31.

The main principle of the new standard is that an entity must recognize the revenue to represent the transfer to customers of promised goods or services in an amount that reflects the consideration that the entity expects to receive in exchange for such goods or services, establishing a five-step methodology for the recognition of revenue:

Step 1 - Identify the contract with the client;
Step 2 - Identify performance obligations;
Step 3 - Determine the price of the transaction;
Step 4 - Allocate the price of the transaction to its performance obligations;
Step 5 - Recognition of revenue (when a performance obligation is met).

Ibersol applied this new standard as of January 1, 2018, using the modified retrospective method, which establishes that the cumulative effect of the adoption of the standard is recognized in the results carried over to that date. The adoption of IFRS 15 did not result in any effect on the retained earnings of the Group.

The application of the methodology to contracts with clients concluded the following:

Sales

In restaurant and merchandise sales there is only one performance obligation, so revenue is recognized immediately, with the delivery of the goods to the customer.
In accordance with IFRIC 13, in sales situations in restaurants where customer discounts are promised to the customer through the customer loyalty program, the fair value of the benefits attributed to customers was estimated, with the recognition of the revenue being deferred until when the obligation is satisfied or expire.

Franchise Agreements

In franchise contracts, the Group has the obligation to grant the customer the right to use the brand and its operating know-how, in a certain place and for an agreed period of time, and the customer is obliged to pay a counterpart, usually translated into:

- initial entry value, corresponding to opening rights;
- monthly operating royalties, the method of calculation of which is previously defined in the contract (fixed amount previously established or amount determined periodically by applying a percentage to the value of sales made by the client);
- monthly quota for advertising purposes.

If there is an initial value of entry, it is accounted as a deferred income, so that the recognition of the respective revenue is effected throughout the life of the contract.

The recognition of the revenue corresponding to the monthly operating royalties and the monthly advertising quotas is carried out immediately, matching the fulfillment of performance obligations.

3.2 IFRS 9 - Financial instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities and for some contracts for the purchase or sale of non-financial assets. This standard replaces the requirements of IAS 39.

IFRS 9 replaces the model of losses incurred in IAS 39 with an expected loss model.

The Group adopted IFRS 9 assuming the option at the time of transition by the modified retrospective approach, without restatement of comparative information.

The group applied IFRS 9 on the Angolan State Treasury Bonds (TB's), financial assets of the group.

The impact at the time of transition and in the period are shown in Note 19.

4. IMPORTANT ACCOUNTING ESTIMATES AND JUDGMENTS

There where no substantial differences between accounting estimates and judgments applied on 31 December 2017 and the accounting values considered in the nine months period ended on the 30 September 2018.

5. INFORMATION ABOUT THE COMPANIES INCLUDED IN THE CONSOLIDATION AND OTHER COMPANIES

5.1. The following group companies were included in the consolidation on 30th September 2018 and 2017 and 31 December 2017:

	Company	Head Office	% Shareholding Sep/18	Sep/17	Dec/17
arent company					
	Ibersol SGPS, S.A.	Porto	parent	parent	parent
ubsidiary companies					
	Iberusa Hotelaria e Restauração, S.A.	Porto	100%	100%	100%
	Ibersol Restauração, S.A.	Porto	100%	100%	100%
	Ibersande Restauração, S.A.	Porto	100%	100%	100%
	Ibersol Madeira e Açores Restauração, S.A.	Funchal	100%	100%	100%
	Ibersol - Hotelaria e Turismo, S.A.	Porto	100%	100%	100%
	Iberking Restauração, S.A.	Porto	100%	100%	100%
	Iberaki Restauração, S.A.	Porto	100%	100%	100%
	Restmon Portugal, Lda	Porto	61%	61%	61%
	Vidisco, S.L.	Vigo - Spain	100%	100%	100%
	Inverpeninsular, S.L.	Vigo - Spain	100%	100%	100%
(d)	Ibergourmet Produtos Alimentares, S.A.	Porto	-	-	100%
	Ferro & Ferro, Lda.	Porto	100%	100%	100%
	Asurebi SGPS, S.A.	Porto	100%	100%	100%
	Charlotte Develops, SL	Madrid-Spain	100%	100%	100%
	Firmoven Restauração, S.A.	Porto	100%	100%	100%
	IBR - Sociedade Imobiliária, S.A.	Porto	100%	100%	100%
	Eggon SGPS, S.A.	Porto	100%	100%	100%
	Anatir SGPS, S.A.	Porto	100%	100%	100%
	Lurca, SA	Madrid-Spain	100%	100%	100%
	Sugestões e Opções-Actividades Turísticas, S.A	Porto	100%	100%	100%
(f)	Resboavista- Restauração Internacional, Lda	Porto	-	100%	100%
	José Silva Carvalho Catering, S.A	Porto	100%	100%	100%
(a)	Iberusa Central de Compras para Restauração ACE	Porto	100%	100%	100%
(b)	Vidisco, Pasta Café Union Temporal de Empresas	Vigo - Spain	100%	100%	100%
	Maestro - Serviços de Gestão Hoteleira, S.A.	Porto	100%	100%	100%
	SEC - Eventos e Catering, S.A.	Porto	100%	100%	100%
	IBERSOL - Angola, S.A.	Luanda - Angola	100%	100%	100%
	HCI - Imobiliária, S.A.	Luanda - Angola	100%	100%	100%
(d)	Ibergourmet Produtos Alimentares (ex-Gravos 2012, S.A.)	Porto	100%	100%	100%
	Lusinver Restauracion, S.A.	Vigo - Spain	100%	100%	100%
	The Eat Out Group S.L.U.	Barcelona - Spain	100%	100%	100%
	Pansfood, S.A.U.	Barcelona - Spain	100%	100%	100%
	Foodstation, S.L.U	Barcelona - Spain	100%	100%	100%
(c)	Dehesa de Santa Maria Franquicias, S.L.	Barcelona - Spain	50%	50%	50%
(e)	Pansfood Italia, S.R.L.	Barcelona - Spain	-	100%	100%
ompanies controlled jointly					
	UQ Consult - Serviços de Apoio à Gestão, S.A.	Porto	50%	50%	50%

(a) Company consortium agreement that acts as the Purchasing and Logistics Centre and provides the respective restaurants with raw materials and maintenance services.
(b) Union Temporal de Empresas which was founded in 2005 and that during the year functioned as the Purchasing Centre in Spain by providing raw materials to the respective restaurants.
(c) Although the parent company owns 50% of the voting rights, there is control of the subsidiary Dehesa.
(d) As a result of the merger of the subsidiary Ibergourmet into Gravos, that adopts the corporate name of the merged subsidiary.
(e) Dissolution of the company occurred in the first three months of 2018.
(f) Merge of the subsidiary Resboavista into José Silva Carvalho Catering, SA.

The subsidiary companies were included in the consolidation by the full consolidation method. UQ Consult, the Jointly controlled entity, was subject to the equity method according to the group's shareholding in this company.

The shareholding percentages in the indicated companies imply an identical percentage in voting rights.

5.2. Alterations to the consolidation perimeter

5.2.1. Acquisition of new companies

In the nine months period ended on 30 September 2018 there was no acquisition of subsidiaries.

5.2.2. Disposals

In the nine months period ended on 30 September 2018 there was no disposals of subsidiaries.

6. INFORMATION PER SEGMENT

Ibersol Administration monitors the business based on the following segmentation:

SEGMENT	BRANDS					
Restaurants	Pizza Hut	Pasta Caffe	Pizza Movil	FresCo	Ribs	StaMaria
Counters	KFC	O'Kilo	Miit	Burguer King	Pans & C.ª	Coffee Counters
Concessions and catering	Sol (SA)	Concessions	Catering	Convenience stores		Travel

The results per segment in the nine months period ended 30 September 2018 and 2017 were as follows:

30 September 2018	**Restaurants**	**Counters**	**Concessions and Catering**	**Other, write off and adjustments**	**Total Group**
Inter-segment client	-	-	-	-	-
External client	81 737 615	154 157 284	99 520 502	285 028	335 700 429
Turnover	**81 737 615**	**154 157 284**	**99 520 502**	**285 028**	**335 700 429**
Royalties	3 066 816	6 064 625	1 039 045	-	10 170 486
Rents and Condominium	8 328 615	14 910 106	29 872 465	-	53 111 186
Coste of sales	19 223 223	44 144 387	18 790 134	-	82 157 744
Operating cash-flow (EBITDA)	**11 781 695**	**21 529 411**	**15 020 309**	**-**	**48 331 416**
Amortization, depreciation and impairment losses	4 557 650	10 348 875	2 910 479	751 395	18 568 399
Operating income (EBIT)	**7 224 045**	**11 180 536**	**12 109 830**	**-751 395**	**29 763 017**

30 September 2017	**Restaurants**	**Counters**	**Concessions and Catering**	**Other, write off and adjustments**	**Total Group**
Inter-segment client	-	-	-	-	-
External client	76 408 685	148 420 008	106 854 273	828 510	332 511 475
Turnover	**76 408 685**	**148 420 008**	**106 854 273**	**828 510**	**332 511 475**
Royalties	2 843 846	5 839 375	1 331 242	-	10 014 464
Rents and Condominium	8 204 876	14 711 469	31 679 897	-	54 596 242
Coste of sales	15 497 815	39 239 468	21 394 719	-	76 132 002
Operating cash-flow (EBITDA)	**11 985 496**	**23 647 308**	**14 190 212**	-	**49 823 016**
Amortization, depreciation and impairment losses	5 294 945	11 130 302	4 288 019	329 602	21 042 868
Operating income (EBIT)	**6 690 551**	**12 517 006**	**9 902 193**	**-329 602**	**28 780 148**

On September 30, 2018 and 2017 income and non-current assets by geography is presented as follows:

30 September 2018	**Portugal (1)**	**Spain**	**Grupo**
Restaurants	178 225 402	144 969 219	323 194 621
Merchandise	598 774	8 573 335	9 172 109
Rendered services	198 136	3 135 563	3 333 699
Total sales and services	**179 022 312**	**156 678 117**	**335 700 429**
Tangible fixed and intangible assets	168 687 357	57 612 565	226 299 922
Goodwill	7 605 482	85 257 304	92 862 786
Financial investments - joint controlled subsidiaries	2 451 660	-	2 451 660
Available-for-sale financial assets	198 620	-	198 620
Other financial assets	16 902 763	-	16 902 763
Other non-current assets	-	14 935 320	14 935 320
Total non-current assets	**195 845 882**	**157 805 189**	**353 651 071**

30 September 2017	**Portugal (1)**	**Spain**	**Grupo**
Restaurants	166 833 118	160 021 778	326 854 896
Merchandise	895 996	1 061 034	1 957 030
Rendered services	149 793	3 549 756	3 699 549
Total sales and services	**167 878 907**	**164 632 568**	**332 511 475**
Tangible fixed and intangible assets	149 790 190	42 840 730	192 630 920
Goodwill	7 605 482	103 551 176	111 156 658
Financial investments - joint controlled subsidiaries	2 441 757	-	2 441 757
Available-for-sale financial assets	486 092	-	486 092
Other financial assets	8 376 056	-	8 376 056
Other non-current assets	-	6 522 718	6 522 718
Total non-current assets	**168 699 577**	**152 914 624**	**321 614 201**

(1) Due to the small size of its operations Angola is included in Portugal segment.

7. UNUSUAL AND NON-RECURRING FACTS AND SEASON ACTIVITY

No unusual facts took place during the nine months period ended 30 September 2018.

In the restaurant segment season activity is characterized by an increase of sales in the months of July, August and December, witch leads to a greater activity on the third trimester of the year compared with the first semester. The previous years have evidenced that, in comparable perimeter and with an equal distribution of openings and closings, in the period that understands the nine first months of the year, sales are about 75% of annual volume and, with the dilution effect of the fixed costs with the increase of the activity, the operating income represents about 85%.

8. TANGIBLE FIXED ASSETS

In the nine months period ended 30 September 2018 and in the year ending on 31 December 2017, entries in the value of tangible fixed assets, depreciation and accumulated impairment losses were as follows:

	Land	Buildings	Equipment	Other tangible fixed Assets	Tangible Assets in progress	Total
1 January 2017						
Cost	11 342 041	220 212 458	117 019 630	22 193 978	1 500 446	372 268 553
Accumulated depreciation	74 637	80 298 255	87 254 431	15 115 597	-	182 742 920
Accumulated impairment	-	10 319 953	1 082 628	64 515	-	11 467 096
Net amount	**11 267 404**	**129 594 249**	**28 682 571**	**7 013 867**	**1 500 446**	**178 058 537**
31 December 2017						
Initial net amount	11 267 404	129 594 249	28 682 571	7 013 867	1 500 446	178 058 537
Changes in consolidat perimeter	-	-	-	-	-	-
Hyperinflationary Economies (IAS 29) (1)	4 080 348	8 651 564	3 298 994	847 509	128 459	17 006 874
Currency conversion	-15 473	-39 843	-21 568	-4 851	-184	-81 919
Additions	56 250	19 394 715	9 055 620	2 376 456	1 293 809	32 176 850
Decreases	-	917 791	61 047	-4 228	159 773	1 134 383
Transfers	-	1 041 722	45 576	7 795	-1 086 883	8 210
Depreciation in the year	63 815	16 988 782	9 279 936	1 559 785	-	27 892 318
Deprec. by changes in the perimeter	-	-	-	-	-	-
Impairment in the year	-	169 635	-	-	-	169 635
Impairment reversion	-	-	-	-	-	-
Final net amount	**15 324 714**	**140 566 200**	**31 720 210**	**8 685 219**	**1 675 874**	**197 972 217**
31 December 2017						
Cost	15 551 381	243 311 373	127 906 062	25 621 216	1 675 874	414 065 908
Accumulated depreciation	226 667	92 908 055	95 172 615	16 877 084	-	205 184 420
Accumulated impairment	-	9 837 119	1 013 238	58 914	-	10 909 271
Net amount	**15 324 714**	**140 566 200**	**31 720 210**	**8 685 219**	**1 675 874**	**197 972 217**

	Land	Buildings	Equipment	Other tangible fixed Assets	Tangible Assets in progress	Total
30 September 2018						
Initial net amount	15 324 714	140 566 200	31 720 210	8 685 219	1 675 874	197 972 217
Changes in consolidat perimeter	-	-	-	-	-	-
Hyperinflationary Economies (IAS 29) (1)	585 506	846 823	221 134	43 836	-42 137	1 655 162
Currency conversion	-1 407 462	-3 381 264	-1 680 052	-370 250	-33 944	-6 872 972
Additions	-	7 510 464	3 982 681	923 100	3 589 096	16 005 341
Decreases	-	490 548	642 552	15 360	133 757	1 282 217
Transfers	-	35 857	484 598	82 728	-603 183	-
Depreciation in the year	13 607	10 081 593	5 046 423	1 160 297	-	16 301 920
Deprec. by changes in the perim.	-	-	-	-	-	-
Impairment in the year	-	-	-	-	-	-
Impairment by changes in the perim.	-	-	-	-	-	-
Impairment reversion	-	-	-	-	-	-
Final net amount	**14 489 151**	**135 005 939**	**29 039 596**	**8 188 976**	**4 451 949**	**191 175 611**
30 September 2018						
Cost	14 718 547	238 508 596	125 572 998	25 870 168	4 451 949	409 122 258
Accumulated depreciation	229 397	93 995 563	95 593 064	17 622 743	-	207 440 767
Accumulated impairment	-	9 507 094	940 338	58 448	-	10 505 880
Net amount	**14 489 150**	**135 005 939**	**29 039 596**	**8 188 977**	**4 451 949**	**191 175 611**

(1) changes resulting from the application of IAS 29, hyperinflationary economy, on tangible fixed assets of the subsidiaries in Angola are presented as follows

Restatement of Tangible Fixed Assets (TFA) 31/12/2017		17 006 874
Restatement of TFA for the nine months period ended on 30/09/2018		
Cost		3 387 392
Accumulated depreciation		-1 732 230
	Sub-total	1 655 162
	Total	18 662 036

In 2017, an investment of approximately 2.7 million euros was made in the central kitchen in Portugal. The remaining investment mainly concerns the opening of 11 Burger King units, 4 KFC units, the opening of the concession at Santa Maria Airport (Azores) and a concession in the group Eat Out.

In 2018, the investment relates mainly to the opening of 3 KFC units, 2 Pizza Hut, 1 Burguer King and 1 Ribs units and 9 Burguer King units to be opened during the year.

9. INTANGIBLE ASSETS AND GOODWILL

Goodwill and intangible assets are broken down as follows:

	Sep/18	Dec/17
Goodwill	92 862 786	92 862 786
Intangible assets	35 124 311	35 115 966
	127 987 097	**127 978 752**

In the nine months period ended 30 September 2018 and in the year ending on 31 December 2017, entries in the value of intangible assets, amortization and accumulated impairment losses were as follows:

	Goodwill	Brands	Industrial property	Other intangible Assets	Intangible Assets in progress	Total
1 January 2017						
Cost	92 862 786	22 000 000	37 973 000	14 875 727	693 528	168 405 041
Accumulated amortization	-	183 333	22 597 027	12 252 079	-	35 032 440
Accumulated impairment	-	-	3 668 664	41 875	-	3 710 538
Net amount	**92 862 786**	**21 816 667**	**11 707 309**	**2 581 773**	**693 528**	**129 662 064**
31 December 2017						
Initial net amount	92 862 786	21 816 667	11 707 309	2 581 773	693 528	129 662 064
Hyperinflationary Economies (IAS 29) (1)	-	-	368 432	-	538 852	907 284
Currency conversion	-	-	-2 792	-	-2 808	-5 600
Additions	-	-	1 221 296	-	96 547	1 317 843
Decreases	-	-	-178	22 024	-	21 845
Transfers	-	-	13 664	-	-13 664	-
Amortization in the year	-	1 100 000	1 916 576	864 416	-	3 880 994
Amortiz. by changes in the perimeter	-	-	-	-	-	-
Impairment in the year	-	-	-	-	-	-
Impairment by changes in the perimeter	-	-	-	-	-	-
Impairment reversion	-	-	-	-	-	-
Final net amount	**92 862 786**	**20 716 667**	**11 391 511**	**1 695 333**	**1 312 455**	**127 978 752**
31 December 2017						
Cost	92 862 786	22 000 000	40 254 584	13 873 100	1 312 455	170 302 926
Accumulated amortization	-	1 283 333	25 197 741	12 135 892	-	38 616 967
Accumulated impairment	-	-	3 665 332	41 875	-	3 707 207
Net amount	**92 862 786**	**20 716 667**	**11 391 511**	**1 695 333**	**1 312 455**	**127 978 752**

	Goodwill	Brands	Industrial property	Other intangible Assets	Assets in progress	Total
30 September 2018						
Initial net amount	92 862 786	20 716 667	11 391 511	1 695 333	1 312 455	127 978 752
Changes in consolidat. perimeter	-	-	-	-	-	-
Hyperinflationary Economies (IAS 29) (1)	-	-	42 262	-	80 732	122 994
Currency conversion	-	-	-219 353	-	-258 256	-477 609
Additions	-	-	808 259	10 000	1 694 222	2 512 481
Decreases	-	-	37 899	-	3 670	41 569
Transfers	-	-	-	-	-	-
Amortization in the year	-	825 000	1 006 949	276 004	-	2 107 953
Amortiz. by changes in the perimeter	-	-	-	-	-	-
Impairment in the year	-	-	-	-	-	-
Impairm. by changes in the perimeter	-	-	-	-	-	-
Impairment reversion	-	-	-	-	-	-
Final net amount	**92 862 786**	**19 891 667**	**10 977 831**	**1 429 329**	**2 825 483**	**127 987 097**
30 September 2018						
Cost	92 862 786	22 000 000	40 546 331	13 209 569	2 825 483	171 444 170
Accumulated amortization	-	2 108 333	25 903 166	11 738 364	-	39 749 865
Accumulated impairment	-	-	3 665 332	41 875	-	3 707 207
Net amount	**92 862 786**	**19 891 667**	**10 977 833**	**1 429 330**	**2 825 483**	**127 987 097**

(1) changes resulting from the application of IAS 29, the hyperinflationary economy, on intangible assets of the subsidiaries in Angola are as follows:

Restatement of Intangible Assets (IA) 31/12/2017		907 284
Restatement of IA for the nine months period ended on 30/09/2018		
Cost		272 837
Accumulated amortization		-149 843
	Sub-total	122 994
	Total	1 030 278

The distribution of goodwill allocated to segments is presented as follows:

	Sep/18	**Dec/17**
Restaurants	16 635 390	16 635 390
Counters	37 199 991	37 199 991
Concessions and Catering	38 847 684	38 847 684
Other, write off and adjustments	179 721	179 721
	92 862 786	**92 862 786**

10. INCOME PER SHARE

Income per share in the nine months period ended 30 September 2018 and 2017 was calculated as follows:

	Sep/18	Sep/17
Profit payable to shareholders	23 680 883	21 474 681
Mean weighted number of ordinary shares issued	36 000 000	36 000 000
Mean weighted number of own shares	-3 599 982	-3 599 982
	32 400 018	32 400 018
Basic earnings per share (€ per share)	0,73	0,66
Earnings diluted per share (€ per share)	0,73	0,66
Number of own shares at the end of the year	3 599 982	3 599 982

Since there are no potential voting rights, the basic earnings per share is equal to earnings diluted per share.

At the Annual General Meeting of May 14, 2018, an increase in the share capital to 36 million euros was approved by the incorporation of free reserves amounting to 6 million euros. This increase in share capital results in an increase of 599.988 own shares

Ibersol acquired 56 own shares in the period ended 30 September 2018.

11. DIVIDENDS

At the General Meeting of 14th May 2018, the company decided to pay a gross dividend of 0,10 euro per share (0,10 euro in 2017), representing a total value of 2.700.006 euro for outstanding shares (2.160.010 euro in 2017), settled on June 2018.

12. CONTINGENT ASSETS AND LIABILITIES

The group has contingent liabilities regarding bank and other guarantees and other contingencies related with its business operations (as licensing, advertising fees, food hygiene and safety and employees, and the rate of success of these processes is historically high in Ibersol). No significant liabilities are expected to arise from the said contingent liabilities.

On 30th September 2018 and 31st December 2017, responsibilities not recorded by the companies and included in the consolidation consist mainly of bank guarantees given on their behalf, as shown below:

	Sep/18	Dec/17
Bank guarantees	36 143 054	25 753 064

13. COMMITMENTS

On September 30th, 2018 there are no significant commitments for contracted investments not included in these financial statements.

14. IMPAIRMENT

Changes during the nine months period ended on 30 September 2018 and in the year 2017, under the heading of asset impairment losses were as follows:

	Sep/18						
	Starting balance	Currency conversion	Cancellation	Impairment assets disposals	Impairment in the year	Impairment reversion	Closing balance
Tangible fixed assets	10 909 271	-	-	-403 392	-	-	10 505 879
Intangible assets	3 707 206	-	-	-	-	-	3 707 206
Stocks	74 981	-	-	-	-	-	74 981
Other current assets	2 159 669	-28 029	-37 454	-	400 600	-	2 494 786
Other financial assets (current and non-current)	-	-	-	-	882 613	-	882 613
	16 851 128	-28 029	-37 454	-403 392	1 283 213	-	17 665 466

	Dec/17						
	Starting balance	Currency conversion	Cancellation	Impairment assets disposals	Impairment in the year	Impairment reversion	Closing balance
Tangible fixed assets	11 467 097	-	-	-727 460	169 635	-	10 909 271
Intangible assets	3 710 538	-	-	-3 332	-	-	3 707 206
Stocks	74 981	-	-	-	-	-	74 981
Other current assets	2 753 877	305	-1 176 843	-	702 271	-119 940	2 159 669
	18 006 493	305	-1 176 843	-730 792	871 905	-119 940	16 851 128

15. <u>FINANCIAL RISK MANAGEMENT</u>

15.1 Financial risk factors

The group's activities are exposed to a number of financial risk factors: market risk (including currency exchange risk, fair value risk associated to the interest rate and price risk), credit risk, liquidity risk and cash flow risks associated to the interest rate. The group maintains a risk management program that focuses its analysis on financial markets to minimise the potential adverse effects of those risks on the group's financial performance.

Financial risk management is headed by the Financial Department based on the policies approved by the Board of Directors. The treasury identifies, evaluates and employs financial risk hedging measures in close cooperation with the group's operating units. The Board provides principles for managing the risk as a whole and policies that cover specific areas, such as the currency exchange risk, the interest rate risk, the credit risk and the investment of surplus liquidity.

a) Market risk

i) Currency exchange risk
With regard to exchange rate risk, the Group follows a natural hedge policy using financing in local currency. Since the Group is mainly present in the Iberian market, bank loans are mainly denominated in euros and the volume of purchases outside the Euro zone are of irrelevant proportions.

The main source of the Group's exposure arises from the investment outside the euro area of operation that develops in Angola, although it is still small is growing and consequently to gain weight in the group activity. The reduction of oil prices is to lead to a shortage of foreign currency in Angola by the devaluation of the kwanza is a risk to consider. The financing of the Angolan subsidiary in foreign currency in the amount of $ 625.000, does not have large exposure due to the reduced amount. The remaining financing concerning Angolan subsidiaries are denominated in the local currency, the same in which the income is generated. Given the current limitations of payments abroad, the group adopted a monthly monitoring policy of credit balances in foreign currency and its full coverage with the acquisition of treasury bonds of the Republic of Angola, indexed to USD.

Currency exchange rate used for conversion of the transactions and balances denominated in Kwanzas, were respectively:

Sep/18

Euro exchange rates (x foreign currency per 1 Euro)	Rate on September, 30 2018	Average interest rate September 2018
Kwanza de Angola (AOA)	288,850	262,467

Dec/17

Euro exchange rates (x foreign currency per 1 Euro)	Rate on December, 31 2017	Average interest rate year 2017
Kwanza de Angola (AOA)	185,391	187,441

ii) Price risk
The group is not greatly exposed to the merchandise price risk.

iii) Interest rate risk (cash flow and fair value)
With the exception of the Angola Treasury Bonds, the group has no significant interest bearing assets. Therefore, profit and cash flows from investment activities are substantially independent of changes in market interest rate. Regarding the Angolan State treasury bonds, interest is fixed, so there is also no risk.

The group's interest rate risk follows its liabilities, in particular long-term loans. Loans issued with variable rates expose the group to the cash flow risk associated to interest rates. Loans with fixed rates expose the group to the risk of the fair value associated to interest rates. At the current interest rates, in financing of longer maturity periods the group has a policy of fixing interest rates of at least 50% of the outstanding amount.

The unpaid debt bears variable interest rate, part of which has been the object of an interest rate swap. Interest rate swap contracts to hedge the interest rate risk of part of the loans (commercial paper) of EUR 31,3 million are subject to interest maturities and repayment plans identical to the terms of the loans.

Based on simulations performed on 30 September 2018, an increase of 100 basis points in the interest rate, maintaining other factors constant, would have a negative impact in the net profit of 570.000 euros (949.000 euros in December 2017).

b) Credit risk
The main activity of the Group is carried out with sales paid in cash, or debit or credit card, so the Group has no significant credit risk concentrations. Regarding the customers, the risk is limited to the Catering business and sales of merchandise to franchisees representing less than 6% of the consolidated turnover. The Group has policies to ensure that credit sales are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit that customers have access to.

The Group's cash and cash equivalents include mainly deposits resulting from cash provided by sales and its deposits in current accounts. These amounts excluded, the value of financial investments at September 30, 2018, is not significant, with the exception of the above mentioned Treasury Bonds of the Republic of Angola in the amount of 19 million euro, subject to country risk.

Deposits and other financial investments are spread over several credit institutions; therefore there is not a concentration of these financial assets.

c) Liquidity risk
Liquidity risk management implies maintaining a sufficient amount of cash and bank deposits, the feasibility of consolidating the floating debt through a suitable amount of credit facilities and the capacity to liquidate market positions. Treasury needs are managed based on the annual plan that is reviewed every quarter and adjusted daily. Related with the dynamics of the underlying business operations, the group's treasury strives to maintain the floating debt flexible by maintaining credit lines available.

The Group considers that the short-term bank loans are due on the renewal date and that the commercial paper programmes matured on the dates of denunciation.

At the end of the period, current liabilities reached 131 million euros, compared with 85 million euros in current assets. This disequilibrium is, on one hand, a financial characteristic of this business and, on the other hand, due to the use of commercial paper programmes in witch the Group considers the maturity date as the renewal date, regardless of its initial stated periods. In order to ensure liquidity of the short term debt it is expected in the year 2018 the renewal of the commercial paper programmes (10.000.000 euros). However, the expected operating cash flows and, if necessary, contracted credit lines, on the amounts of which have not yet been used, are sufficient to settle current liabilities.

Even with reduced use of the group has contracted a significant amount of short-term lines. On September 30, 2018, the use of short term liquidity cash flow support was about 5%. Investments in term deposits and other application of 49 million euros, match 37% of liabilities paid.

The following table shows the Group financial liabilities (relevant items), considering contractual cash-flows:

	to September 2019	from September 2019 to 2028
Bank loans and overdrafts	41 485 814	91 190 685
Other non-current liabilities	-	157 556
Accounts payable to suppliers and accrued costs	63 902 614	388 924
Other current liabilities	3 059 539	-
Total	108 447 967	91 737 165

15.2 Capital risk

a) Gearing ratio

The company aims to maintain an equity level suitable to the characteristics of its main business (cash sales and credit from suppliers) and to ensure continuity and expansion.

The capital structure balance is monitored based on the gearing ratio (defined as: net remunerated debt / net remunerated debt + equity) in order to place the ratio within a 35%-70% interval.

On 30th September 2018 and 31st December 2017 the gearing ratio was of 25% and 31%, respectively, as follows:

	set/18	Dec-17
Bank loans	132 676 499	141 014 741
Other financial assets	-19 337 615	-22 986 661
Cash and bank deposits	-43 844 987	-34 902 883
Net indebtedness	69 493 897	83 125 197
Equity	203 660 132	188 620 193
Total capital	273 154 029	271 745 390
Gearing ratio	25%	31%

b) Risk of franchise agreements

In restaurants where it operates with international brands, the group enters into long-term franchise agreements: 20 years in the case of Burger King and 10 years in the case of Pizza Hut and KFC, which are renewable for another 10 years at the franchise's option, provided certain obligations have been fulfilled.

It has become practical for these contracts to be renewed. However, nothing obliges the franchisees to do so, so the risk of non-renewal may be verified.

In these contracts it is normal to contract the payment of an "Initial Fee" at the beginning of each contract and a "Renewall Fee" at the end of the initial period, in addition to a royalty and marketing operations fee on the sales amount.

Periodically, development contracts are negotiated which guarantee the right to open new restaurants.

At the moment a contract has been signed for the implementation of 40 KFC restaurants in the period between May 2017 and May 2022.

15.3 Estimated fair value

The fair value of financial instruments commercialised in active markets (such as publicly negotiated derivatives, securities for negotiation and available for sale) is determined based on the listed market prices on the consolidated statement of financial position date. The market price used for the group's financial assets is the price received by the shareholders in the current market. The market price for financial liabilities is the price to be paid in the current market.

The nominal value of accounts receivable (minus impairment adjustments) and accounts payable is assumed to be as approximate to its fair value. The fair value of financial liabilities is estimated by updating future cash flows contracted at the current market interest rate that is available for similar financial instruments.

16. OTHER ASSETS AND LIABILITIES

16.1 Other current assets and liabilities

Other current assets and liabilities on 30th September 2018 and 31st December 2017 are broken down as follows:

Other current assets

	Sep/18	**Dec/17**
Clients	9 705 203	7 045 044
State and other public entities	3 691 594	1 821 312
Other debtors	5 745 278	4 797 968
Advances to suplliers	298 569	443 940
Advances to financial investments debt	-	320 781
Accruals and income	5 265 079	5 060 103
Deferred costs	2 404 433	2 494 073
Other current assets	**27 110 156**	**21 983 221**
Accumulated impairment losses	2 494 786	2 159 659
	24 615 370	**19 823 562**

Other current liabilities

	Sep/18	**Dec/17**
Other creditors	3 059 539	9 900 301
State and other public entities	8 561 469	7 677 912
Deferred income	1 504 118	691 832
	13 125 126	18 270 045

16.1 Other non-current assets and liabilities

The breakdown of other non-current assets as at 30 September 2018 and 31 December 2017 is presented as follows:

	Sep/18	Dec/17
Advance for financial investment	1 511 000	-
Other loans	4 000 000	-
Other debtors:		
Deposits (1)	9 800 086	5 853 001
Credits granted	500 770	641 326
Other non-current assets	**15 811 856**	**6 494 327**
Discounted value (1)	876 536	-
	14 935 320	**6 494 327**

(1) balance of long term deposits and securities from Spain subsidiaries, resulting from lease agreements.

Accounts receivable from clients and other debtors are initially recognised at the fair value. Medium and long term debts are subsequently measured at the amortised cost, using the effective rate method minus the impairment adjustment.

In the period, a discount rate of 2% was applied, recognizing a loss in the amount of 876.536 eur (Note 17).

17. NET FINANCING COST

Net financing cost on 30th September 2018 and 2017 are broken down as follows:

	2018	2017
Interest paid	2 179 807	3 406 360
Interest earned	-1 228 956	-900 136
Currency exchange differences	-16 329	-126 779
Payment discounts obtained	-9 416	-7 629
Other financial costs and income	1 935 967	1 297 123
	2 861 073	3 668 939

The detail of other financial costs and income, is presented as follows:

	2017	2016
Bank services (1)	665 489	807 804
Financial instruments - cash flow hedge	-39 832	-40 873
Commercial paper programmes charges	503 536	524 419
Discounted value (Nota 16)	876 536	-
Impairment adjustments reversion TB's (IFRS 9)	-120 756	-
Other commissions (1)	44 491	24 686
Other financial cost and gains	6 503	-18 913
	1 935 967	1 297 123

(1) amount referring essentially to bank commissions on guarantees and commissions on treasury bonds transactions in Angola.

18. INCOME TAX

Income taxes recognized as of September 30, 2018 and 2017 are detailed as follows:

	Sep/18	Sep/17
Current taxes	6 700 576	6 407 356
Insufficiency (excess) of income tax	-32 560	-2 707 163
Deferred taxes	-2 195 333	-409 316
	4 472 683	3 290 877

The effective tax rate on profits was 16% on September 30, 2018 and 24% in the same period of 2017, as follows:

	Sep/18	Sep/17
Profit before tax	28 341 374	25 135 335
Income tax expense	4 505 243	5 998 040
Effective tax rate	16%	24%

The estimated effective tax rate in the period was of 16%, lower than the nominal rate, is mainly due to the tax benefits obtained under the terms of the Investment Tax Code (CFI), as in the “Decreto –Lei” no. 162/2014, of 31st October.

19. OTHER FINANCIAL ASSETS

The amount of financial assets refers to the acquisition of Angola treasury bonds, resettable in accordance with the variation of the National Bank of Angola (BNA) exchange rate for the purchase of United States dollars, with rates interest coupon of default by maturity, as follows:

	set/18			dec/17		
	Current	Non Current	Total	Current	Non Current	Total
Treasury bonds	2 545 985	17 674 244	20 220 228	5 162 755	17 823 906	22 986 661
Sub-total	2 545 985	17 674 244	20 220 228	5 162 755	17 823 906	22 986 661
Accumulated impairment (1)	111 132	771 481	882 613	-	-	-
TOTAL	2 434 853	16 902 763	19 337 615	5 162 755	17 823 906	22 986 661

(1) As a result of the implementation of mandatory IFRS 9 as of January 1, 2018 (Note 3), considering the type of TB’s that Ibersol holds, and since they are indexed to the USD, impairment was calculated assuming the option at the time of transition by the modified retrospective approach, as follows:

Impact on the Interim Consolidated Statement of Financial Position:

Impact on Other Reserves and Retained Earnings	(2018, 01 January)	1 003 369
Deferred tax		264 784

Impact on the Interim Consolidated Statement of Income and Other Comprehensive Income:

Net financing cost	-120 756
Income tax expense	36 227

The Probability of Default and Loss Given Default indices are in line with the publication of Moody's and S & P.

20. TRANSACTIONS WITH RELATED PARTIES

The related parties of Ibersol group are:

- António Carlos Vaz Pinto de Sousa – 2.520 shares (*)
- António Alberto Guerra Leal Teixeira – 2.520 shares (*)
- ATPS, SGPS, SA – 19.767.059 shares

(*) ATPS voting rights are also attributable to Antonio Carlos Vaz Pinto de Sousa and António Alberto Guerra Leal Teixeira under subparagraph b) of paragraph 1 of article 20 and paragraph 1 Article 21, both of the Portuguese Market Code, by holding the domain of ATPS, in which they participate indirectly in equal parts by their companies, respectively, CALUM - SERVIÇOS E GESTÃO, S.A. with the NIPC 513799486 and DUNBAR - SERVIÇOS E GESTÃO, S.A with the NIPC 513799257, which together hold the majority of the capital of ATPS.

- Joint controlled entities – UQ Consult

With respect to the balances and transactions with related entities, the overall value of the balances and transactions of the Group with the joint controlled UQ Consult relates mainly to support services and management information systems, and was, respectively, 1.029.132 and 2.302.173 euros.

- Administrators

The company shareholder ATPS-S.G.P.S., S.A., which signed a service-rendering contract with the subsidiary Ibersol Restauração, SA, provided services of administration and management to the group. ATPS-S.G.P.S., S.A. under contract with Ibersol Restauração, S.A. has the obligation to ensure that its administrators, António Carlos Vaz Pinto de Sousa and António Alberto Guerra Leal Teixeira, manage the group without incur in any additional charge. The company does not pay directly to its administrators any remuneration.

21. <u>IFRS STANDARDS ALREADY ISSUED OR REVIEWED AND FOR FUTURE APPLICATION</u>

1) Standards (new and amendments) that have been published and are mandatory for the accounting periods beginning on or after 1 January 2018, endorsed by the EU:

a) IFRS 16 (new), 'Leases' (effective for annual periods beginning on or after 1 January 2019). This new standard replaces the IAS 17 with a significant impact on the accounting by lessees that are now required to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts, except for certain short-term leases and for low-value assets. The definition of a lease contract also changed, being based on the "right to control the use of an identified asset". It is estimated that its application has relevant impacts, Ibersol will determine the respective amounts.

b) IFRS 4 (amendment), 'Insurance contracts (Applying IFRS 4 with IFRS 9)' transactions' (effective for annual periods beginning on or after 1 January 2018). This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could rise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, it is given an optional temporary exemption from applying IFRS 9 until 2021, to the companies whose activities are predominantly connected with insurance, not being applicable at consolidated level. It is not expected that its application has significant impacts.

c) Amendments to IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). These amendments refer to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition. It is not expected that its application has significant impacts.

2) Standards (new and amendments) and interpretations that have been published and are mandatory for the accounting periods beginning on or after 1 January 2017, but are not yet endorsed by the EU:

Standards

a) Annual Improvements 2014 - 2016, (generally effective for annual periods beginning on or after 1 January 2017). The 2014-2016 annual improvements impacts: IFRS 1, IFRS 12 and IAS 28. It is not expected that its application has significant impacts.

b) IAS 40 (amendment), 'Transfers of Investment property' (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies when assets are transferred to, or from investment properties, the evidence of the change in use is required. A change of management intention in isolation is not enough to support a transfer. It is not expected that its application has significant impacts.

c) IFRS 2 (amendment), 'Classification and measurement of share-based payment transactions' (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications to a share-based payment plan that change the classification an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. It is not expected that its application has significant impacts.

d) IFRS 9 (amendment), 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortized cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss. It is not expected that its application has significant impacts.

e) IAS 28 (amendment), 'Long-term interests in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9, being subject to impairment expected credit loss model, prior to any impairment test of the investment as a whole. It is not expected that its application has significant impacts.

f) Annual Improvements 2015 - 2017, (generally effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11. It is not expected that its application has significant impacts.

g) IFRS 17 (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. It is not expected that its application has significant impacts.

Interpretation

a) IFRIC 22 (new), 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by European Union. An Interpretation of IAS 21 'The effects of changes in foreign exchange rates' it refers to the determination of the "date of transaction" when an entity either pays or receives consideration in advance for foreign currency denominated contracts". The date of transaction determines the exchange rate used to translate the foreign currency transactions. It is not expected that its application has significant impacts.

b) IFRIC 23 (new), 'Uncertainty over income tax treatment' (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to endorsement by European Union. This is an interpretation of IAS 12 - 'Income tax', referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, and not under IAS 37 - "Provisions, contingent liabilities and contingent assets ", based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified. It is not expected that its application has significant impacts.

22. SUBSEQUENT EVENTS

There are no subsequent events to 30th September 2018 that may have a material impact on the financial statements presented.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for emission on 22th November 2018.