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
1st Quarter 2020
(not audited)

- **Consolidated Turnover of 95.0 million Euros**
  Decrease of 7.5% over 1st quarter of 2019

- **Consolidated EBITDA reached 14.9 million Euros**
  Ebitda decreased 27.4% over 1st quarter of 2019.

- **Consolidated net profit of -9.0 million Euros**
  Decrease of 7.0 million euros when compared to the 1st quarter of 2019.

Consolidated Management Report

COVID-19

The first quarter of 2020, against the global outlooks for this year, is marked by the pandemic outbreak of Covi-19 that spread worldwide, putting a brake on the global economic activity, with profound impacts on consumer behaviors and habits.

The World Health Organization on 11 March declared a pandemic associated with the spread of Covid-19, and the state of emergency was declared in all geographical locations in which Ibersol operates, which determined measures to contain the population and the closure of most shops and restaurants.

This situation forced the restaurants to close, leaving only those that had the possibility of making a minimum volume through take-away and delivery, even though they were operating below their normal potential.

Following the instructions of the World Health Organization and General Health Directorates, Ibersol activated the contingency plans that allowed the priority to guarantee the safety of all customers and employees and ensuring the protection of the entire supply chain.

To reconcile the abrupt reduction in activity and the protection of employment, the Group's companies activated el ERTE (Expediente de Regulación Temporal de Empleo) in Spain and the simplified and normal lay-off in Portugal.

At the same time, initiatives were taken to reduce costs, renegotiate contracts, including the financial rebalancing of lease contracts and the negotiation of payment terms.

Regarding to liquidity risk management, the Group maintained approximately 15 million Euros of credit lines that were available and not used, contracted additional lines of 31 million and refinanced approximately 15 million Euros, during the first quarter of 2020. Additionally, it triggered the negotiation process, for formalization in the second quarter, of a reinforcement of liquidity of around 60 million Euros.

Consolidated turnover in the first quarter of 95.0 million Euros, compared to 102.8 million Euros in the first quarter of 2019.

Turnover	Q1 2020	
	euro million	% Ch. 20/19
Sales of Restaurants	92,1	-6,9%
Sales of Merchandise	2,4	-22,6%
Services Rendered	0,6	-29,6%
Net Sales & Services	95,0	-7,5%

The year of 2020 showed promising signs in the months of January and February, with a positive evolution of the demand in the Iberian, coupled with the effects of the openings at the end of 2019 and the expansion of the home delivery coverage through aggregators to the majority of brands, allowed restaurant sales to increase more than 15%.

However, the development of the COVID-19 outbreak at the beginning of March, immediately caused a brutal reduction in demand in the restaurant market, culminating in the closure of most restaurants, following the decision to decree the emergency state since the second week of March and consequently with losses of around 50% in restaurant sales.

SALES IN RESTAURANTS	Q1 2020	
	euro million	% Ch. 20/19
Restaurants	21,6	-10,0%
Counters	49,2	-4,1%
Concessions&Catering	21,3	-9,9%
Total Sales	92,1	-6,9%

At the segment level, the impacts of greater magnitude on restaurants, concessions and catering are evident, with identical losses of around 10% compared to the same period of 2019. In the case of restaurants, with dinne-in service, sales penalties were higher, given the weight that this service represents in the segment.

The concessions, which include the Travel business, as a result of the reduction in passenger traffic in the first half of March and the subsequent closure of borders and air space in the Iberia, led to the closure of most restaurants, with exception of 1 at the Barcelona airport, 3 at Portuguese airports that provide minimum services and two restaurants at service stations.

Catering was the most penalized business, in relative terms, due the cancelation of most events since the beginning of March with losses of 80% this month.

In the counters segment, in which there was a loss of 4.1% compared to the first quarter of 2019, the impact of closures and circulation restrictions, were minimized by three relevant factors:

i. the good performance shown since the beginning of the year, with LFL's growth of over 10%;
ii. the impact of the expansion, namely of the brands Burger King, KFC and Taco Bell;
iii. maintenance of open restaurants with delivery and take away services, namely through Drive-Thru, since the emergency state was decreed.

During the quarter, we closed 6 restaurants, three of which were franchised and six new restaurants were opened.

The closure of the three equity restaurants in Spain resulted from the option of not renewing the lease contracts of Pans Callao and Ribs Faro Guadiana, and from the end of the Pans concession contract at the FCB stadium.

Following the KFC strategy of expansion four new restaurants were opened one of which in Spain, a Burger King in Portugal and the last restaurant that remained to complete the operation in full, of all the restaurants at Barcelona airport, under the contract that started in May 2018.

At the end of the quarter, the total number of restaurants was 659 (550 equity and 109 franchises), as shown below:

Nº of Restaurants	2019 31-Dec	Openings	Transfer	Closures	2020 31/Mar
PORTUGAL	**355**	**4**	**0**	**0**	**359**
Equity Restaurants	**354**	**4**	**0**	**0**	**358**
Pizza Hut	98				98
Okilo+MIIT+Ribs	4				4
Pans+Roulotte	45				45
Burger King	101	1			102
KFC	30	3			33
Pasta Caffé	6				6
Quiosques	8				8
Taco Bell	2				2
Coffee Shops	27				27
Catering	10				10
Concessions & Other	23				23
Franchise Restaurants	**1**				**1**
SPAIN	**287**	**2**		**5**	**284**
Equity Restaurants	**183**	**2**		**3**	**182**
Pizza Móvil	23				23
Pizza Hut	5				5
Burger King	37				37
Pans	35			1	34
Ribs	15			1	14
FrescCo	3				3
KFC	1	1			2
Concessions	64	1		1	64
Franchise Restaurants	**104**	**0**		**2**	**102**
Pizza Móvil	12				12
Pans	52				52
Ribs	22			1	21
FrescCo	5				5
SantaMaria	13			1	12
ANGOLA	**10**				**10**
KFC	9				9
Pizza Hut	1				1
Other Locations - Franchise	**7**	**0**		**1**	**6**
Pans	7			1	6
Total Equity Restaurants	**547**	**6**	**0**	**3**	**550**
Total Franchise Restaurants	**112**	**0**	**0**	**3**	**109**
TOTAL	**659**	**6**	**0**	**6**	**659**

Results

The consolidated net income of 1Q amounted to Eur (9.0) million Euros compared to (2.0) million euros, in the same period of 2019.

The abrupt activity interruption in the second half of March, strongly penalized the profitability of the month and consequently of the quarter. It was not possible in this period to adjust the cost items to the reduction of sales, which inevitability led to increases in the weight of the items costs and inherent loss of profitability.

Gross margin was 74.8% of turnover, 1.0p.p lower than the previous year (1Q19: 75.8%), partially showing the effect of losses of perishable raw materials in March following the abrupt interruption of activity in restaurants.

Staff costs increased 7.2%, with the weight of this item increasing to 38.7% of the turnover (1Q19: 33.4%). In March, the group joined ERTE in Spain from 18th March, while in Portugal the measures to employment support and protection only took place in the following month.

External Supplies and services decreased 10.1%, representing 22.3% of turnover, which represents a reduction of 0.7p.p than in 1Q 2019.
Without the impact of IFRS16 form leasing contracts, external supplies and services increased by 3.4%, registering an increase in the weight of the item to 37.7% (1Q2019 without IFRS16:33.7%).

Other operating income and costs increased 1.2 million, mainly due to the high positive exchange differences registered in the Angolan subsidiary in the first quarter of 2020.

Therefore **EBITDA** amounted to 14.9 million Euros, a decrease of 27.4% over 1Q19.

Consolidated **EBITDA** margin stood at 15.7% of turnover which compares with 20.0% in the same period of the previous year.

The negative **EBITDA** margin (without IFRS16) in March completely absorbed the margin generated in the first two months of the year, ending the quarter with a margin of 0.3%, which compares with 9.2% in the same period of the previous year.

Consolidated **EBIT** margin was -6.8% of turnover compared to 1.8% in the 1Q19.

Consolidated **Financial Results** were 5.1 million Euros, around 0.2 million Euros higher than 1Q19. Without IFRS16, the cost of net debt decreased 0.3 million Euros compared to the same period of the previous year, standing at 0.8 million Euros.

Average cost of loans in the first quarter of 2020 was 2.1%, lower than that verified in 2019 (2.6%).

Financial Situation

Total Assets amounted to 765.8 million euros and Equity stood at 204.9 million Euros, representing 26.7% of assets.

CAPEX reached 4.5 million Euros. About 4.2 million corresponds to the investment incurred in to complete the expansion plan and the remaining for the refurbishment and modernization of some restaurants.

Net debt at 31th March 2012 amounted to 432.6 million Euros, 25.5 million Euros higher than at the end of 2019.

Without IFRS16, the Net Debt on 31th March registered an increase of 30 million Euros, to 110 million Euros, compared to 80 million Euros at the end of 2019, as a result of the impacts generated by the pandemic crisis.

Outlook

IMF forecasts point to a recession of 8% of GDP for Portugal and Spain, with a partial and slow recovery over the following years, namely in the sectors that depend on flow and circulation of people, as well as airports and shopping centres;

At the end of March Ibersol closed around 75% of its restaurants, restricting operations during the state of emergency to 127 restaurants in Portugal and Angola, limited to delivery and take away services;

Subsequently, in April and May, we gradually reopened restaurants, part of which in Spain, to provide delivery, take away and drive thru services, culminating in the beginning of the reopening of restaurants located in shopping centres that we expect to complete until the end of June with the full reopening of our restaurants.

Exception made for restaurants located in concessions, namely airports, for which evaluations of reopening with concessionaires are underway in order to have the offer compatible with passenger traffic as restrictions on air spaces are lifted. According to IATA (International Air Transport Association) expectations, the resumption of air traffic in 2019 will only take place within 2 years.

Although it is premature, at this stage, to anticipate the behaviour of consumers when lifting restrictions on the people movements, it is expected that this pandemic crisis will cause losses in turnover of around 30%

However, it is worth mentioning the good performance in restaurants with drive service, which overcame the closing of dinne-in, and the growth in the delivery, which may contribute to minimize the impacts and limitations of other more penalized segments. As always, we will try to adjust costs to the evolution of demand in order to make our operation more profitable, until the process of GDP growth to recent levels slowly begins.

To strengthen the financial structure, in addition to the new loans contracted during the first quarter, an additional 40 million Euros have already been contracted and the maturity of 23 million Euros that are in due in 2020 has been extended. Negotiations are underway to reschedule the debt in Spain due in 2020 as well as the hiring of additional lines.

Five new restaurants were opened in 2020 and the remaining expansion programme will be adjusted to the evolution of the general situation.

Porto, 5th June 2020

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António Carlos Vaz Pinto de Sousa

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António Alberto Guerra Leal Teixeira

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Juan Carlos Vázquez-Dodero

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

Consolidated Interim Financial Statements

31st March 2020

IBERSOL S.G.P.S., S.A.
INTERIM STATEMENT OF CONSOLIDATED FINANCIAL POSITION ON 31st March 2020 AND 31st DECEMBER 2019
(values in euros)

ASSETS	Notes	31/03/2020	31/12/2019
Non-current			
Tangible fixed assets	8	213 826 735	216 563 700
Rights of use	3.1 and 7	312 383 070	321 812 178
Goodwill	9	87 968 225	87 968 225
Intangible assets	9	37 010 697	36 440 964
Financial investments - joint controlled subsidiaries		2 551 888	2 566 336
Non-current financial assets		468 561	435 226
Other financial assets	19	1 041 422	2 710 150
Other non-current assets	16	7 744 672	8 238 111
Deferred tax		6 568 561	4 010 940
Total non-current assets	6	**669 563 831**	**680 745 830**
Current			
Inventories		12 569 392	12 014 986
Cash and bank deposits	20	32 613 307	38 424 757
Income tax receivable		1 438 117	1 502 658
Other financial assets	19	14 644 886	12 916 621
Other current assets	16	34 987 729	31 681 067
Total current assets		**96 253 431**	**96 540 090**
Total Assets		**765 817 262**	**777 285 920**

EQUITY AND LIABILITIES	Notes	31/03/2020	31/12/2019
EQUITY			
Capital and reserves attributable to shareholders			
Share capital	10	36 000 000	36 000 000
Own shares		-11 180 516	-11 180 516
Share prize		469 937	469 937
Legal reserves		1 075 511	1 075 511
Conversion Reserves		-10 706 373	-10 355 553
Other Reserves & Retained Results		197 926 090	180 376 862
Net profit in the year		-8 985 702	17 549 228
		204 598 947	**213 935 469**
Interests that do not control		273 881	293 007
Total Equity		**204 872 828**	**214 228 476**
LIABILITIES			
Non-current			
Loans		116 197 761	74 763 367
Liability for leases		280 287 187	286 206 086
Deferred tax		8 371 643	8 671 083
Provisions		33 257	33 257
Derivative financial instrument		128 699	128 699
Other non-current liabilities		6 026	6 146
Total non-current liabilities		405 024 573	369 808 638
Current			
Loans		30 428 507	46 399 315
Liability for leases		48 846 484	53 777 115
Accounts payable to suppliers and accrued costs		63 017 632	77 816 608
Income tax payable		991 070	689 748
Other current liabilities	16	12 636 168	14 566 020
Total current liabilities		**155 919 861**	**193 248 806**
Total Liabilities		**560 944 434**	**563 057 444**
Total Equity and Liabilities		**765 817 262**	**777 285 920**

Porto, 05th June 2020

The Board of Directors,

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH, 2020 AND 2019

(values in euros)

	Notes	31/03/2020	31/03/2019
Sales	6	94 434 159	101 939 105
Rendered services	6	592 135	841 451
Cost of sales		-23 914 589	-24 898 937
External supplies and services		-21 231 234	-23 625 452
Personnel costs		-36 809 974	-34 331 802
Amortisation, depreciation and impairment losses of TFA, Rights of Use, Goodwill and IA	8 e 9	-21 336 709	-18 679 599
Other operating costs		1 825 569	594 072
Operating Income		-6 440 643	1 838 838
Net financing cost	17	5 087 920	4 927 609
Gains (losses) in joint controlled subsidiaries - Equity method		-14 448	82 513
Gains (losses) on Net monetary position		-	360 879
Profit before tax		**-11 543 011**	**-2 645 379**
Income tax expense	18	-2 538 182	-654 394
Net profit		**-9 004 829**	**-1 990 985**
Other comprehensive income:			
Change in currency conversion reserve (net of tax and that can be recycled for results)		-350 820	-51 110
TOTAL COMPREHENSIVE INCOME		**-9 355 649**	**-2 042 095**
Net profit attributable to:			
Owners of the parent		-8 985 702	-1 970 754
Non-controlling interest		-19 126	-20 231
		-9 004 828	-1 990 985
Total comprehensive income attributable to:			
Owners of the parent		-9 336 522	-2 021 864
Non-controlling interest		-19 126	-20 231
		-9 355 648	-2 042 095
Earnings per share:	10		
Basic		**-0,28**	**-0,06**
Diluted		**-0,28**	**-0,06**

Porto, 05th June 2020

The Board of Directors,

IBERSOL S.G.P.S., S.A.
Interim Statement of Alterations to the Consolidated Equity
for the three months period ended 31st March, 2020 and 2019
(value in euros)

	Note	Share Capital	Own Shares	Share Prize	Legal Reserves	Conversion Reserves	Other Reserves & Retained Results	Net Profit	Total parent equity	Interests that do not control	Total Equity
		Assigned to shareholders									
Balance on 1 January 2019		36 000 000	-11 180 516	469 937	755 581	-7 140 907	158 974 733	24 962 061	202 840 889	329 204	203 170 093
Changes in the period:											
Application of the consolidated profit from 2018:											
Transfer to reserves and retained results					319 930		24 642 131	-24 962 061	-		-
Conversion reserves - Angola						-51 110			-51 110		-51 110
Net consolidated income for the three months period ended on 31 March, 2019								-1 970 754	-1 970 754	-20 231	-1 990 985
Total changes in the period		-	-	-	319 930	-51 110	24 642 131	-26 932 815	-2 021 864	-20 231	-2 042 095
Net profit								**-1 970 754**	**-1 970 754**	**-20 231**	**-1 990 985**
Total comprehensive income									-2 021 864	-20 231	-2 042 095
Transactions with capital owners in the period											
Application of the consolidated profit from 2018:											
Paid dividends									-		-
		-	-		-	-	-	-	-	-	-
Balance on 31March 2019		**36 000 000**	**-11 180 515**	**469 937**	**1 075 511**	**-7 192 017**	**183 616 864**	**-1 970 754**	**200 819 025**	**308 973**	**201 127 998**
Balance on 1 January 2020		36 000 000	-11 180 516	469 937	1 075 511	-10 355 553	180 376 862	17 549 228	213 935 469	293 007	214 228 476
Changes in the period:											
Application of the consolidated profit from 2019:											
Transfer to reserves and retained results							17 549 228	-17 549 228	-		-
Conversion reserves - Angola						-350 820			-350 820		-350 820
Net consolidated income for the three months period ended on 31 March, 2020								-8 985 702	-8 985 702	-19 126	-9 004 828
Total changes in the period		-	-	-	-	-350 820	17 549 228	-26 534 930	-9 336 522	-19 126	-9 355 648
Net profit								**-8 985 702**	**-8 985 702**	**-19 126**	**-9 004 828**
Total comprehensive income									-9 336 522	-19 126	-9 355 648
Transactions with capital owners in the period											
Application of the consolidated profit from 2019:											
Paid dividends									-		-
		-	-	-	-	-	-	-	-	-	-
Balance on 31March 2020		**36 000 000**	**-11 180 516**	**469 937**	**1 075 511**	**-10 706 373**	**197 926 090**	**-8 985 702**	**204 598 946**	**273 881**	**204 872 827**

Porto, 05th June 2020

The Board of Directors,

IBERSOL S.G.P.S., S.A.
Interim Consolidated Cash Flow Statements
for the three months period ended 31 March, 2020 and 2019
(value in euros)

	Note	Three months period ending on March 31 2020	2019
Cash Flows from Operating Activities			
Receipts from clients		98 282 450	105 251 619
Payments to supliers		-51 918 816	-54 451 916
Staff payments		-27 263 141	-32 049 567
Flows generated by operations		19 100 493	18 750 136
Payments/receipt of income tax		7 233	-23 861
Other paym./receipts related with operating activities		-12 037 828	-3 217 386
Flows from operating activities (1)		**7 069 898**	**15 508 889**
Cash Flows from Investment Activities			
Receipts from:			
Financial investments		32 528	25 192
Tangible fixed assets			2 863
Investment benefits			
Interest received		247 040	302 745
Other financial assets		900 452	1 975 623
Payments for:			
Financial Investments		65 863	49 496
Other financial assets			
Tangible fixed assets		12 626 145	12 789 270
Intangible assests		1 042 404	503 628
Other investments			
Flows from investment activities (2)		-12 554 392	-11 035 971
Cash flows from financing activities			
Receipts from:			
Loans obtained		22 500 000	7 202 722
Payments for:			
Loans obtained		2 741 493	1 539 679
Amortisation and interest of liability for leases		20 991 593	7 455 110
Interest and similar costs		1 122 714	5 037 862
Dividends paid			
Acquisition of own shares			
Flows from financing activities (3)		-2 355 800	-6 829 929
Change in cash & cash equivalents (4)=(1)+(2)+(3)		**-7 840 294**	**-2 357 011**
Cash & cash equivalents at the start of the period		34 684 804	32 048 560
Cash & cash equivalents at end of the period	20	**26 844 510**	**29 691 549**

Porto, 05th June 2020

The Board of Directors,

IBERSOL SGPS, S.A.

ANNEX TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS PERIOD ENDED ON 31 MARCH 2020

(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 659 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, Taco Bell, Sol, Sugestões e Opções, Silva Carvalho Catering e Palace Catering, coffe counters and other concessions. The group has 550 units which it operates and 109 units under a franchise contract. Of this universe, 284 are headquartered in Spain, of which 182 are own establishments and 102 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 Basis of presentation, consolidation and main accounting policies

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 2019.

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 31 March 2020 are identical to those applied for preparing the financial statements of 31 March and 31 December 2019, except for the exchange currency differences included in other income / other operating costs and excluded from net financing cost.

3. New standards, amendments and interpretation adopted

The rules and interpretations that became effective on January 1, 2020 are as follows:

a) IAS1 and IAS 8 (amendment), "Definition of material" (to be applied in annual periods beginning on or after 1 January 2020). The intention of changing the standard is to clarify the definition of material and align the definition used in international financial reporting standards.

b) Reform of the interest rate reference (issued on September 26, 2019, to be applied in years beginning on or after January 1, 2020). This reform aims to change the standards of financial instruments, provided for in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.

c) Improvements to international financial reporting standards (issued on March 29, 2018, to be applied to annual periods beginning on or after January 1, 2020). These improvements involve the revision of several standards.

These standards and amendments had no material impact on the Group's consolidated financial statements.

At the date of approval of these financial statements, there are no standards and interpretations endorsed by the European Union, whose mandatory application occurs in future financial years.

The following standards, interpretations, amendments and revisions, with mandatory application in the year and in future economic years, were not, until the date of approval of these financial statements, endorsed by the European Union:

1. IFRS 3 (amendment), "Concentration of business activities" (effective for annual periods beginning on or after 1 January 2020). The intention of changing the standard is to overcome the difficulties that arise when an entity determines whether it has acquired a business or a set of assets.
2. IFRS 17 (new), "Insurance contracts" (effective for annual periods beginning on or after 1 January 2021). The general objective of IFRS17 is to provide a more useful and consistent accounting model for insurance contracts between entities that issue them globally.
3. IAS 1 (Amendment), "Presentation of the financial statements". The intent of the standard is to clarify the classification of liabilities as current or non-current.

If applicable, the Group will consider these standards in the year in which they become effective, or in advance when permitted.

4. IMPORTANT ACCOUNTING ESTIMATES AND JUDGMENTS

There where no substantial differences between accounting estimates and judgments applied on 31 December 2019 and the accounting values considered in the six months period ended on the 31 March 2020.

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

5.1. The following group companies were included in the consolidation on 31 March 2020 and 31 March and 31 December 2019:

Company	Head Office	% Shareholding		
		Mar/20	Dec/19	Mar/19
Parent company				
Ibersol SGPS, S.A.	Porto	parent	parent	parent
Subsidiary 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 - Espanha	100%	100%	100%
Inverpeninsular, S.L.	Vigo - Espanha	100%	100%	100%
Asurebi SGPS, S.A.	Porto	100%	100%	100%
Charlotte Develops, SL	Vigo - Espanha	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-Espanha	100%	100%	100%
Sugestões e Opções-Actividades Turísticas, S.A	Porto	100%	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 - Espanha	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%
Ibergourmet Produtos Alimentares (ex-Gravos 2012, S.A.)	Porto	100%	100%	100%
Lusinver Restauracion, S.A.	Vigo - Espanha	100%	100%	100%
The Eat Out Group S.L.U.	Barcelona - Espanha	100%	100%	100%
Pansfood, S.A.U.	Barcelona - Espanha	100%	100%	100%
Foodstation, S.L.U	Barcelona - Espanha	100%	100%	100%
Dehesa de Santa Maria Franquicias, S.L.	Barcelona - Espanha	100%	100%	100%
Cortsfood, S.L.	Barcelona - Espanha	100%	100%	50%
(d) Volrest Aldaia, S.L	Vigo - Espanha	100%	-	-
(d) Volrest Alcala, S.L	Vigo - Espanha	100%	-	-
(d) Volrest Alfafar, S.L.	Vigo - Espanha	100%	-	-
(d) Volrest Rivas, S.L.	Vigo - Espanha	100%	-	-
Associated companies				
(c) Ziaicos - Serviços e gestão, Lda	Porto	40%	40%	-
Companies 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) Associated constituted in 2019.
(d) Acquired subsidiaries related to the 4 units that the group started to control in 2019..

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 three months period ended on 31 March 2020 there was no acquisition of subsidiaries.

5.2.2. Disposals

In the three months period ended on 31 March 2020 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	Burger King	Pans & C.ª	Coffee Counters	Taco Bell
Concessions and catering	Sol (SA)	Concessions	Catering	Convenience stores		Travel	

The results by segment for the three-month periods ended March 31, 2020 and 2019, with and without impact of the application of IFRS 16, are presented as follows:

w/ IFRS 16	Restaurants		Counters		Concessions and Catering		Other, write off and adjustments		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Turnover	**23 065 334**	**26 047 338**	**50 484 697**	**52 869 142**	**21 385 196**	**23 776 074**	**91 066**	**88 003**	**95 026 294**	**102 780 556**
Operating income net of Amortization, deprec. and impairment losses	**2 154 085**	**4 156 963**	**7 539 814**	**11 198 331**	**5 086 696**	**5 163 143**	**115 472**	-	**14 896 066**	**20 518 437**
Amortization, depreciation and impairment losses	3 145 178	2 731 074	6 840 895	9 169 119	10 717 138	6 524 484	633 498	254 921	21 336 709	18 679 599
Operating income	**-991 093**	**1 425 889**	**698 919**	**2 029 212**	**-5 630 442**	**-1 361 341**	**-518 026**	-254 921	**-6 440 642**	1 838 838
Net financing cost									5 087 920	4 927 609
Other non-operating gains and losses									-14 448	443 392
Income tax expense									-2 538 182	-654 394
Net profit									**-9 004 828**	**-1 990 985**

n/a IFRS 16	Restaurants		Counters		Concessions and Catering		Other, write off and adjustments		Total Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Turnover	**23 065 334**	**26 047 338**	**50 484 697**	**52 869 142**	**21 385 196**	**23 776 074**	**91 066**	**88 003**	**95 026 294**	**102 780 556**
Operating income net of Amortization, deprec. and impairment losses	**109 039**	**2 701 757**	**3 310 036**	**6 007 371**	**-3 123 544**	**777 568**	-	-	**295 531**	**9 486 696**
Amortization, depreciation and impairment losses	1 339 653	1 363 194	3 436 645	3 586 935	1 981 695	1 035 575	644 609	254 921	7 402 601	6 240 625
Operating income	**-1 230 614**	**1 338 563**	**-126 608**	**2 420 436**	**-5 105 239**	**-258 007**	**-644 609**	-254 921	**-7 107 070**	3 246 071
Net financing cost									814 861	1 082 392
Other non-operating gains and losses									-14 448	443 392
Income tax expense									-1 230 498	606 194
Net profit									**-6 705 882**	**2 000 877**

On March 31, 2020 and 2019 income and non-current assets by geography is presented as follows:

31 MARCH 2020	Portugal	Angola	Spain	Grupo
Total sales and services	**54 507 287**	**2 526 009**	**37 992 998**	**95 026 294**
Tangible fixed and intangible assets	154 216 620	21 599 312	75 021 500	250 837 432
Rights of use	89 554 502	1 082 385	221 746 183	312 383 070
Goodwill	7 605 482	-	80 362 743	87 968 225
Deferred tax asset	-	-	6 568 561	6 568 561
Financial investments - joint controlled subsidiaries	2 551 888	-	-	2 551 888
Non-current financial assets	468 561	-	-	468 561
Other financial assets	-	1 041 422	-	1 041 422
Other non-current assets	-	-	7 744 672	7 744 672
Total non-current assets	**254 397 053**	**23 723 119**	**391 443 659**	**669 563 831**

31 MARCH 2019	Portugal	Angola	Spain	Grupo
Total sales and services	**55 750 564**	**3 311 178**	**43 718 814**	**102 780 556**
Tangible fixed and intangible assets	149 341 723	25 982 845	56 438 361	231 762 929
Rights of use	68 524 491	2 964 640	256 083 513	327 572 644
Goodwill	7 605 482	-	83 240 845	90 846 327
Financial investments - joint controlled subsidiaries	2 542 354	-	-	2 542 354
Non-current financial assets	235 733	-	-	235 733
Other financial assets	-	15 296 599	-	15 296 599
Other non-current assets	-	-	13 477 537	13 477 537
Total non-current assets	**228 249 783**	**44 244 084**	**409 240 256**	**681 734 123**

7. RIGHTS OF USE

In the three months period ended 31 March 2020 and in the year ending on 31 December 2019, entries in the value of rights of use, depreciation and accumulated impairment losses were as follows:

	Rights of use
1 January 2019	
Initial net amount	291 085 260
Additions	88 072 137
Decreases	1 467 059
Depreciation in the year	55 878 164
Final net amount	**321 812 178**
31 December 2019	
Cost	377 307 656
Accumulated depreciation	55 495 482
Net amount	**321 812 178**

Rights of use

1 January 2020	
Initial net amount	321 812 178
Currency conversion	-56 589
Additions	5 619 943
Decreases	74 496
Transfers	-481 806
Depreciation in the year	14 436 160
Final net amount	**312 383 070**
31 March 2020	
Cost	388 426 604
Accumulated depreciation	76 043 538
Net amount	**312 383 070**

8. TANGIBLE FIXED ASSETS

In the three months period ended 31 March 2020 and in the year ending on 31 December 2019, 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 2019						
Cost	14 163 037	267 021 639	138 067 977	30 839 024	3 574 147	453 665 824
Accumulated depreciation	243 567	105 564 602	100 649 863	19 662 947	-	226 120 979
Accumulated impairment	-	10 207 629	730 304	43 212	-	10 981 144
Net amount	**13 919 470**	**151 249 408**	**36 687 810**	**11 132 865**	**3 574 147**	**216 563 700**
1 January 2019						
Initial net amount	14 490 886	142 801 429	33 468 569	9 552 595	996 812	201 310 291
Change in accounting policy (IFRS 16)	-	-3 335 985	-899 062	-47 363	-	-4 282 410
Changes in the perimeter	-	1 600 000	845 363	119 304	-	2 564 667
Currency conversion	-542 668	-1 209 078	-540 488	-117 382	-19 445	-2 429 061
Additions	-	25 420 469	11 712 366	3 596 959	3 144 834	43 874 629
Decreases	-	1 298 973	119 844	25 680	43 908	1 488 406
Transfers	-	39 603	280 569	34 644	-504 148	-149 332
Depreciation in the year	28 749	12 999 373	8 257 847	1 995 447	-	23 281 415
Impairment in the year	-	492 746	-	-	-	492 746
Impairment reversion	-	-724 062	-198 182	-15 236	-	-937 480
Final net amount	**13 919 470**	**151 249 408**	**36 687 810**	**11 132 865**	**3 574 147**	**216 563 700**
31 December 2019						
Cost	14 163 037	267 021 639	138 067 977	30 839 024	3 574 147	453 665 824
Accumulated depreciation	243 567	105 564 602	100 649 863	19 662 947	-	226 120 979
Accumulated impairment	-	10 207 629	730 304	43 212	-	10 981 144
Net amount	**13 919 470**	**151 249 408**	**36 687 810**	**11 132 865**	**3 574 147**	**216 563 700**

	Land	Buildings	Equipment	Other tangible fixed Assets	Tangible Assets in progress	Total
1 January 2020						
Initial net amount	13 919 470	151 249 408	36 687 810	11 132 865	3 574 147	216 563 700
Currency conversion	-47 432	-80 507	-28 945	-5 388	-11 691	-173 963
Additions	-	1 965 131	960 520	92 666	151 943	3 170 260
Decreases	-	7 200	46 618	135	5 474	59 427
Transfers	-	1 273 453	672 222	82 436	-1 672 805	355 306
Depreciation in the year	6 852	3 372 861	2 100 419	549 008	-	6 029 140
Final net amount	**13 865 186**	**151 027 424**	**36 144 570**	**10 753 435**	**2 036 120**	**213 826 735**
31 March 2020						
Cost	14 111 982	269 428 940	139 388 213	30 990 529	2 036 120	455 955 784
Accumulated depreciation	246 796	108 193 887	102 513 339	20 193 882	-	231 147 905
Accumulated impairment	-	10 207 629	730 304	43 212	-	10 981 144
Net amount	**13 865 186**	**151 027 424**	**36 144 570**	**10 753 435**	**2 036 120**	**213 826 735**

The investment of 3.1 million euros in the first three months of 2020 mainly refers to the opening of concessions in the travel Spain segment (1.5 million euros), and the remaining investment in two KFC and two Taco Bell.

In 2019, an investment of around 54 million was made in the opening of 40 new units, mainly 14 Burger King, 3 KFC and 3 Pizza Hut in Portugal, and 5 concessions at the airports of Alicante, Barcelona and Las Palmas, 2 Burger King and 2 Pans in Spain. On part of the investment in Spain, leasing contracts were made in the amount of around 10 million (rights of use, note 7).

9. INTANGIBLE ASSETS AND GOODWILL

Goodwill and intangible assets are broken down as follows:

	Mar/20	Dec/19
Goodwill	87 968 225	87 968 225
Intangible assets	37 010 697	36 440 964
	124 978 922	**124 409 189**

In the three months period ended 31 March 2020 and in the year ending on 31 December 2019, entries in the value of intangible assets and goodwill, amortization and accumulated impairment losses were as follows:

	Goodwill	Brands	Industrial property	Other intangible Assets	Intangible Assets in progress	Total
1 January 2019						
Cost	90 846 327	22 000 000	42 232 722	12 960 943	2 370 483	170 410 475
Accumulated amortization	-	2 383 333	26 100 687	11 211 040	-	39 695 061
Accumulated impairment	-	-	3 681 055	41 875	-	3 722 930
Net amount	**90 846 327**	**19 616 667**	**12 450 980**	**1 708 028**	**2 370 483**	**126 992 484**
1 January 2019						
Initial net amount	90 846 327	19 616 667	12 450 980	1 708 028	2 370 483	126 992 484
Changes in the perimeter	1 121 898	-	-	-	-	1 121 898
Change in accounting policy (IFRS 16)	-	-	-	-	-	-
Currency conversion	-	-	-74 408	-	-100 681	-175 089
Additions	-	-	3 372 763	317 030	244 781	3 934 574
Decreases	-	-	37 273	-	57 258	94 530
Transfers	-	-	442 100	600 000	-1 042 100	-
Amortization in the year	-	1 100 000	1 737 240	532 903	-	3 370 143
Impairment in the year	4 000 000	-	0	-	-	4 000 000
Final net amount	**87 968 225**	**18 516 667**	**14 416 924**	**2 092 149**	**1 415 225**	**124 409 189**
31 December 2019						
Cost	87 968 225	22 000 000	45 735 432	13 793 294	1 415 225	170 912 176
Accumulated amortization	-	3 483 333	27 637 453	11 659 270	-	42 780 056
Accumulated impairment	-	-	3 681 055	41 875	-	3 722 930
Net amount	**87 968 225**	**18 516 667**	**14 416 924**	**2 092 149**	**1 415 225**	**124 409 189**

	Goodwill	Brands	Industrial property	Other intangible Assets	Assets in progress	Total
1 January 2020						
Initial net amount	87 968 225	18 516 667	14 416 924	2 092 149	1 415 225	124 409 189
Currency conversion	-	-	-4 724	-	-7 215	-11 939
Additions	-	-	730 759	294 773	296 465	1 321 997
Decreases	-	-	4 252	-	-	4 252
Transfers	-	-	360 207	22 500	-256 207	126 500
Amortization in the year	-	275 000	458 633	128 939	-	862 572
Final net amount	**87 968 225**	**18 241 667**	**15 040 281**	**2 280 483**	**1 448 268**	**124 978 922**
31 March 2020						
Cost	87 968 225	22 000 000	46 799 221	13 930 210	1 448 268	172 145 924
Accumulated amortization	-	3 758 333	28 077 885	11 607 848	-	43 444 066
Accumulated impairment	-	-	3 681 055	41 875	-	3 722 930
Net amount	**87 968 225**	**18 241 667**	**15 040 281**	**2 280 483**	**1 448 268**	**124 978 922**

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

	Mar/20	Dec/19
Restaurants	11 740 829	11 740 829
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
	87 968 225	**87 968 225**

10. <u>INCOME PER SHARE</u>

Income per share in the three months period ended 31 March 2020 and 2019 was calculated as follows:

	Mar/20	Mar/19
Profit payable to shareholders	-8 985 702	-1 970 754
Mean weighted number of ordinary shares issued	36 000 000	36 000 000
Mean weighted number of own shares	-3 599 981	-3 599 926
	32 400 019	32 400 074
Basic earnings per share (€ per share)	-0,28	-0,06
Earnings diluted per share (€ per share)	-0,28	-0,06
Number of own shares at the end of the year	3 599 981	3 599 981

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

11. DIVIDENDS

At the Annual General Meeting, to be convened, the Board of Directors will propose not to distribute dividends in 2020, referring to the 2019 result.

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 31st March 2020 and 31st December 2019, responsibilities not recorded by the companies and included in the consolidation consist mainly of bank guarantees given on their behalf, as shown below:

	Mar/20	Dec/19
Bank guarantees	25 551 817	26 038 803

13. COMMITMENTS

On March 31st, 2020 there are no significant commitments for contracted investments not included in these financial statements.

14. IMPAIRMENT

Changes during the three months period ended on 31 March 2020 and in the year 2019, under the heading of asset impairment losses were as follows:

	Mar/20						
	Starting balance	Currency conversion	Cancellation and reclassif.	Impairment assets disposals	Impairment in the year	Impairment reversion	Closing balance
Tangible fixed assets	10 981 144	-	-	-	-	-	10 981 144
Intangible assets	3 722 929	-	-	-	-	-	3 722 929
Stocks	74 981	-	-	-	-	-	74 981
Other current assets	2 585 661	-982	-96 367	-	154 500	-	2 642 812
Other financial assets (current and non-current)	707 366	-	-	-	2 695	-	710 061
	18 072 081	-982	-96 367	-	157 195	-	18 131 927

	Dec/19						
	Starting balance	Currency conversion	Cancellation and reclassif.	Impairment assets disposals	Impairment in the year	Impairment reversion	Closing balance
Tangible fixed assets	11 632 624	-	-	-206 746	492 746	-937 480	10 981 144
Intangible assets	3 722 929	-	-	-	-	-	3 722 929
Stocks	74 981	-	-	-	-	-	74 981
Other current assets	2 931 120	-10 923	-931 803	-	1 002 267	-405 000	2 585 661
Other financial assets (current and non-current)	940 762	-	-	-	-	-233 396	707 366
	19 302 416	-10 923	-931 803	-206 746	1 495 013	-1 575 876	18 072 081

15. FINANCIAL RISK MANAGEMENT

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. Financing concerning Angolan subsidiaries are denominated in the local currency, the same in which the income is generated. In view of the current limitations on payments abroad, the group adopted a policy of monthly monitoring of credit balances in foreign currency and its full coverage with the acquisition of Treasury Bonds of the Republic of Angola, indexed to the USD.

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

Mar/20

Euro exchange rates foreign currency per 1 Euro)	(x	Rate on March, 31 2020	Average interest 1st Trimester 2020
Kwanza de Angola (AOA)		562,430	550,358

Dec/19

Euro exchange rates foreign currency per 1 Euro)	(x	Rate on December, 31 2019	Average interest rate year 2019
Kwanza de Angola (AOA)		536,193	408,497

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 Angolan State Treasury Bonds (TB's), the group has no interest-bearing assets with significant interest. Therefore, the profit and cash flows from the investment activity are substantially independent of changes in the market interest rate. As regards the Angolan State Treasury Bonds, interest is fixed, so there is also no risk.

The Group's main interest rate risk arises from liabilities, namely long-term loans. Loans issued at variable rates expose the Group to cash flow risk associated with interest rates. Loans issued at fixed rates expose the Group to the fair value risk associated with the interest rate. With the current level of interest rates, the policy of the group is, in financing of greater maturity, to proceed with the fixing of interest rates of around 50% of the amount owed.

Interest-bearing debt bears interest at a variable rate, having been part of an interest rate setting through an interest rate swap derivative. The interest rate swap contracts to cover the interest rate risk of part of the loans (commercial paper) of 19.2 million euros are based on interest maturities and repayment plans identical to the loan conditions. In 2019, 20 million euros of fixed-rate debt were contracted.

Based on simulations carried out on March 31, 2020, an increase of another 100 basis points in the interest rate, keeping everything else constant, would have a negative impact on the net profit for the period of 185 thousand euros (513 thousand euros in December 2019).

b) Credit risk
The Group's main activity is carried out with sales paid in cash, debit or credit card (meal cards, etc.) or other electronic payment, so the Group has no relevant credit risk concentrations. In relation to customers, the risk is limited to the Catering business and sales of goods and services to franchisees, which represent 6.4% of the consolidated turnover. The Group has policies that 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, with no information on the rating assigned to these entities.

The Group's cash and cash equivalents essentially include deposits arising from cash generated by operations and respective deposits in current accounts. Excluding these amounts, the value of financial investments is reduced on March 31, 2020, with the exception of the aforementioned TB's from the Republic of Angola in the amount of 13.5 million euros, subject to country risk.

Deposits and other financial investments are spread over several credit institutions, therefore, there is no 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.

Short-term bank loans are considered to expire on the renewal date and commercial paper contracts to expire on the termination dates, although renewal is usual.

At 31 March 2020, current liabilities amounted to 156 million euros, compared to 96 million euros in current assets. This disequilibrium is, in part, a financial characteristic of this business and to which it adds a large component of leases, in other part it is due to some Commercial Paper programs, with termination clauses, in which reimbursement on the termination date is considered regardless of the deadlines for which they are hired. During the year 2020, it is expected to maintain the issue of Commercial Paper considered as short-term debt (15,000,000 euros). With the restructuring of the financing due in 2020 and the financing contracted in the second quarter, the Group will have sufficient available resources to settle the total current liabilities.

As of March 31, 2020, surplus availability and other investments amounted to 32 million euros, corresponding to 35% of interest-bearing liabilities. On the other hand, it has contracted and unused lines that amount to 34 million euros.

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

	to March 2021	from March 2021 to 2039
Bank loans and overdrafts	30 428 507	116 197 761
Liability for leases	48 846 484	280 287 187
Other non-current liabilities	-	6 026
Accounts payable to suppliers and accrued costs	51 363 159	-
Other current liabilities	4 788 465	-
Total	135 426 615	396 490 974

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.

The financial gearing ratio on March 31, 2020 and December 31, 2019 was 35% and 26%, respectively, as shown in the table below:

	mar/20	31/03/2020 (n/a IFRS16)	31/12/2019 (n/a IFRS16)	Dec/19
Liability for leases	329 133 671	-	-	339 983 201
Bank loans	146 626 268	157 639 801	132 095 130	121 162 682
Other financial assets	-15 686 308	-15 686 308	-15 626 772	-15 626 772
Cash and bank deposits	-32 613 307	-32 613 307	-38 424 757	-38 424 757
Net indebtedness	427 460 324	109 340 186	78 043 601	407 094 354
Equity	204 872 828	207 171 775	223 729 770	214 228 476
Total capital	632 333 152	316 511 961	301 773 371	621 322 830
Gearing ratio	68%	35%	26%	66%

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 80 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 and securities for negotiation) 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 31st March 2020 and 31st December 2019 are broken down as follows:

Other current assets	**Mar/20**	**Dec/19**
Clients	7 676 942	9 398 831
State and other public entities	7 514 029	6 264 376
Other debtors	14 684 004	8 659 243
Advances to suplliers	133 195	226 991
Advances to fixed suppliers	525 475	539 636
Accruals and income	5 265 397	7 600 004
Deferred costs	1 831 499	1 577 647
Other current assets	**37 630 541**	**34 266 728**
Accumulated impairment losses	2 642 812	2 585 661
	34 987 729	**31 681 067**

Other current liabilities	**Mar/20**	**Dec/19**
Other creditors	4 788 465	4 576 409
State and other public entities	7 077 521	5 811 549
Deferred income	770 182	534 154
	12 636 168	11 768 651

16.2 Other non-current assets and liabilities

The breakdown of other non-current assets as at 31 March 2020 and 31 December 2019 is presented as follows:

	Mar/20	Dec/19
Other non-current assets (1)	7 744 672	8 164 336
Credits granted to third parties	367 467	464 334
Impairment balances	-367 467	-390 559
	7 744 672	**8 238 111**

(1) balance of other non-current debtors is mainly comprised of deposits and securities in Spain resulting from lease agreements. Trade accounts receivable from other debtors are initially recognized at fair value and, in the case of medium and long-term debt, are subsequently measured at amortized cost using the effective interest method, less impairment.

Impairment refers to a balance receivable from a Vidisco franchise of 367.467 euros (390.559 euros in 2019).

17. NET FINANCING COST

Net financing cost on 31st March 2020 and 2019 are broken down as follows:

	2020	2019
Interest on rentals liabilities (IFRS16)	4 273 059	3 845 217
Interest paid	825 452	1 037 405
Interest earned	-304 275	-326 401
Currency exchange differences	17 357	-
Other financial costs and income	276 327	371 388
	5 087 920	4 927 609

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

	2020	2019
Commercial paper programmes charges	104 435	140 394
Discounted value	2 695	-59 961
Impairment reversal TB's (IFRS9)	29 009	52 926
Other financial cost and gains	140 187	238 029
	276 327	371 388

18. INCOME TAX

Income taxes recognized as of March 31, 2020 and 2019 are detailed as follows:

	Mar/20	Mar/19
Current taxes	339 981	532 105
Insufficiency (excess) of income tax	262 884	35 000
Deferred taxes	-3 141 047	-1 221 499
	-2 538 182	-654 394

The effective tax rate on profits was 22% on March 31, 2020 and 25% in the same period of 2019, as follows:

	mar/20	mar/19
Profit before tax	-11 543 011	-2 645 379
Income tax expense	-2 538 182	-654 394
Effective tax rate	22%	25%

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:

	Mar/20			Dec/19		
	Current	Non current	Total	Current	Non current	Total
Treasury bonds	15 307 806	1 088 563	16 396 369	13 501 309	2 832 828	16 334 138
Sub-total	15 307 806	1 088 563	16 396 369	13 501 309	2 832 828	16 334 138
Accumulated impairment losses	662 920	47 141	710 061	584 688	122 678	707 366
TOTAL	14 644 886	1 041 422	15 686 308	12 916 621	2 710 150	15 626 772

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

20. CASH AND CASH EQUIVALENTS

On 31st March 2020 and 31st December 2019, cash and cash equivalents are broken as follows:

	Mar/20	Dec/19
Cash	420 469	1 065 534
Bank deposits	32 192 338	37 358 723
Treasury applications	500	500
Cash and bank deposits in the balance sheet	32 613 307	38 424 757
Bank overdrafts	-5 768 797	-3 739 953
Cash and cash equivalents in the cash flow statement	26 844 510	34 684 804

21. TRANSACTIONS WITH RELATED PARTIES

The parent company of Ibersol SGPS S.A. is ATPS - SGPS, SA, holder of 19.767.058 shares. The shareholder company provides administration and management services for the group, under a service provision agreement with the subsidiary Ibersol, Restauração, SA. company directors, Dr. António Carlos Vaz Pinto de Sousa and Dr. António Alberto Guerra Leal Teixeira, exercise their positions without the same company having to incur any additional charges. The company does not pay any remuneration directly to any of its directors.

Dr. António Carlos Vaz Pinto de Sousa and Dr. António Alberto Guerra Leal Teixeira each hold 2.520 shares of Ibersol SGPS, SA The voting rights attributable to ATPS are also attributable to António Carlos Vaz Pinto de Sousa and António Alberto Guerra Leal Teixeira under the terms of paragraph b) of no. 1 of article 20 and no. 1 of 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, the companies CALUM - SERVIÇOS E GESTÃO, SA with NIPC 513799486 and DUNBAR - SERVIÇOS E GESTÃO, SA with NIPC 513799257, which, jointly, hold the majority of the share capital of ATPS.

The other entities refer to entities controlled by other holders of significant influence in the parent company of the Ibersol Group.

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, 1.116.847 and 855.730 euros.

Transactions with related parties were carried out under normal market conditions, thus corresponding to the values that would be charged between unrelated companies.

22. SUBSEQUENT EVENTS

Subsequently to March 31, 2020, these are the events that we consider relevant:

- gradual reopening of restaurants according to the evolution of the deflation, with a greater pace in Portugal and during the second half of May.
- at the beginning of April adherence to the simplified lay-off in Portugal, with an extension in the following months, with the hours necessary for the operation of the restaurants being redeemed according to the reopening program
- liquidity management measures with restructuring / contracting of credit lines:
    - a) extension of maturities by an amount of 13.5 million euros;
    - b) new amounts with access to support lines to the Covid-19 Economy of 40 million euros, 14 million in Portugal and 26 million in Spain.
    - c) preparing the restructuring of financing in Spain (25 million euros) and contracting additional lines in Portugal (7 million euros)
- negotiation process with landlords and concessionaires with a view to assessing the financial rebalancing of rents

Given the uncertainty regarding the duration of the pandemic and the pace of regularization of people's circulation, Ibersol is still unable to anticipate the full impact on results.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for emission on 05th June 2020.