**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 9M 2020

**(not audited)**

- **Consolidated Turnover of 213.9 million euros**
  ***Decrease of 39.9 % over 9M of 2019***
- **Consolidated EBITDA reached 35.9 million euros**
  ***Ebitda decreased 59.6% over 9M of 2019***
- **Consolidated net profit of -36.9 million euros**
  ***Decrease of 47.4 miilion euros when compared to the 9M of 2019***

# Consolidated Management Report

## *Update COVID-19*

In Q3 2020, operations were still affected by the restrictions imposed due to the pandemic situation. There was a recovery of activity adapted to the restrictions implemented in order to guarantee safety and to limit the spread of Covid-19.

During this period, the resumption of the Group's activity was conditioned by:

i) 50% reduction in the capacity of restaurants;
ii) limitation of the opening hours of shopping centers in Lisbon area;
iii) interruptions in air traffic corridors in England and Germany;
iv) football fans banned from stadiums and limitation to events.

In Portugal, in August, the group joined the Extraordinary Incentive to Standardization of Business Activity, while in Spain it remained with around 35% of employees on ERTE.

At the same time, contract renegotiation continued, including the financial rebalancing of lease agreements. The concluded negotiations resulted in a positive impact of around 8.5 million euros, as a result of the amended IFRS16 standard that concerns accounting treatment of rent deductions and reductions due to COVID-19 pandemic.

Currently, negotiations are still underway with most Shopping Centers, with regard to the application of the legislation in the period from March to July, as well as with the concessions in Portugal and Spain.

With the spread of the second wave of Covid-19 outbreak, first in Spain and then in Portugal, the Group has again limitations in its operations, such in term of sales channels, such in opening hours, due to the measures implemented in different countries and different regions. At this time, the depth of the containment measures that are still to be decreed until the end of the year is unpredictable.

In this context, we are monitoring, together with the financial institutions, the evolution of the financial covenants, taking into account the evaluation to be carried out on them at the end of the financial current year. It should be noted that in July was concluded the refinancing of 15 million euros.

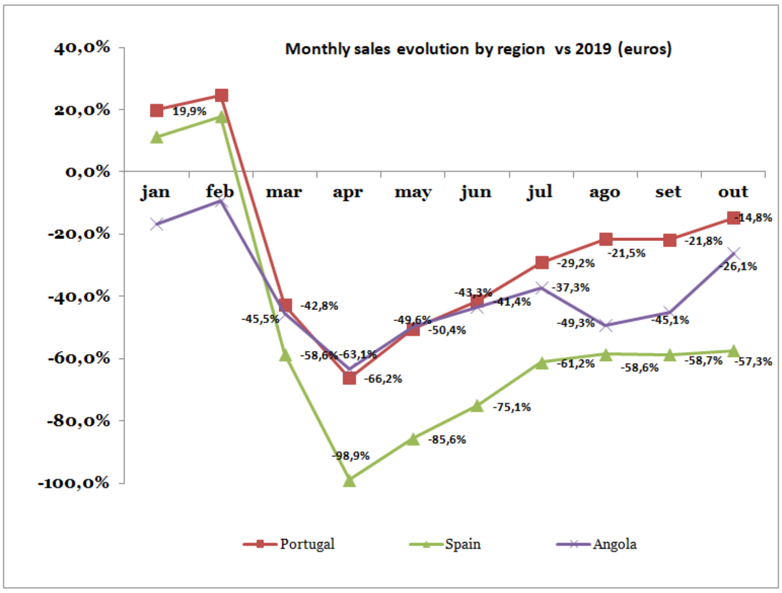
Furthermore, as of 30 September 2020, the Group has cash and other applications surplus amounting to 56 million euros, which represents a 30% of remunerated liabilities. Additionally, it has contracted and unused lines amounting to 40 million euros.

# *Activity*

Consolidated turnover for the nine months of the year amounted to EUR 213.9 million, compared to EUR 356.2 million in the same period of the previous year, which represents a 39.9% reduction:

| Turnover | 9M 2020 | |
|---|---|---|
| | euro million | % Ch. 20/19 |
| Sales of Restaurants | 208,6 | -39,2% |
| Sales of Merchandise | 4,3 | -58,6% |
| Services Rendered | 1,0 | -63,8% |
| Net Sales & Services | 213,9 | -39,9% |

In the third quarter of 2020, there was a gradual easing of the restrictions on mobility and circulation imposed in March and during the second quarter in most countries, in order to limit the spread of COVID-19, which allowed to register a recovery with different behaviors, depending on the geography and the weight of the segments operated in each of them.

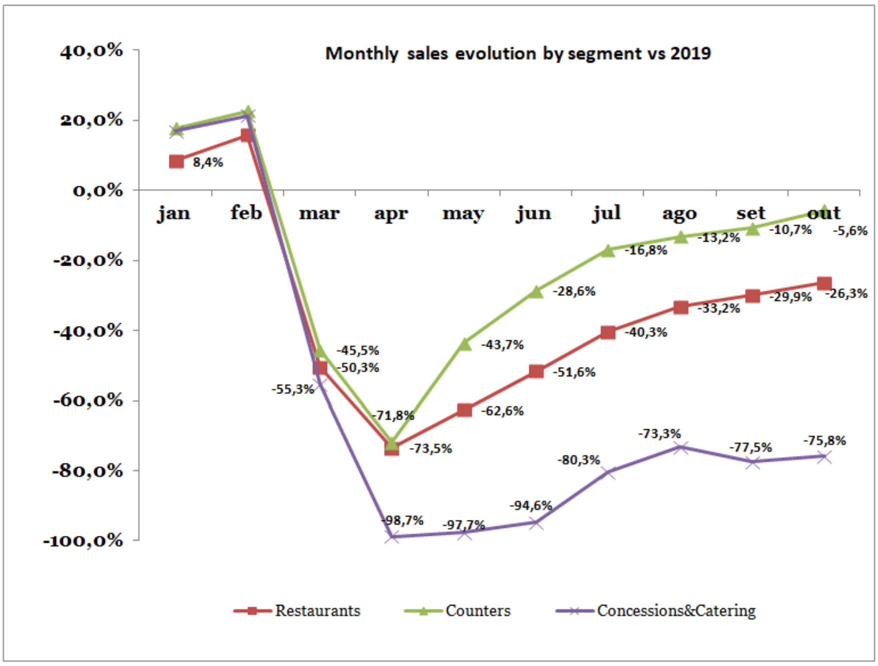



In Spain, due to a smaller number of restaurants with drives and locations that are more dependent on tourism, sales declines were more abrupt and with no tendency to recover in the summer months at the same pace as in the other geographies.

Due to the weight of restaurants located in airports concessions in this region, in September around 30% of our restaurants remained closed.

Sales of restaurants located in Angola reflect losses in local currency and the effects of converting them to euros.

However, compared to the second quarter of the year, there were smaller decreases in all sales segments, with emphasis on the restaurant and counter segments with losses minimized by the delivery, take away and drive thru services.




The concessions and catering segment, which presents greater difficulties in recovery, resulting from the reduced mobility of passengers which penalize the travel locations and the limitations imposed on the gathering of people in events in the catering channel, with the cancellation and postponement of most of them.

The restaurants located in concessions, namely airports, were strongly affected by the restrictions on airspace during this period, with the month of August showing signs of recovery that were not consolidated in the following months, due to the increase in the number of COVID-19 cases in Europe.

In Spain, where the Group operates restaurants at nine different airports, passenger traffic recorded losses in the 3rd quarter between 70% and 80%, with airports located in the Canary and Balearic Islands being less penalized than urban ones, such as Barcelona and Madrid, in wich passenger traffic lost more than 80%.

During the third quarter, in articulation with the concessionaires, the reopening of the restaurants located in the concessions was evaluated in order to adjust the offer to the passenger’s traffic.

| SALES IN RESTAURANTS | 9M 2020 | | 3rd Quarter 2020 | |
|---|---|---|---|---|
| | euro million | % Ch. 20/19 | euro million | Var 20/19 |
| Restaurants | 49,3 | -36,2% | 18,2 | -34,8% |
| Counters | 127,3 | -22,8% | 50,2 | -15,2% |
| Concessions&Catering | 32,0 | -68,3% | 9,7 | -77,3% |
| Total Sales | 208,6 | -39,2% | 78,1 | -39,9% |

Restaurants, with dinne-in service, have a slower recovery trend, as a result of the limitations in force for the occupation of the restaurants and the opening hours of some shopping centers due to the restrictions imposed regionally.

In the counters segment, there was a faster recovery in losses compared to the same period in 2019, to which three factors contributed decisively:

i) the impact of the expansion, namely of the brands Burger King, KFC and Taco Bell that occurred in the second half of 2019;
ii) maintenance of open restaurants with delivery and take away services, since the emergency state was decreed;
iii) the good performance of restaurants with Drive services (operated by Burger King and KFC), that have overcome the losses incurred inside the restaurants.

The combination of these factors, allowed Burger King to achieve sales growth compared to the same period in the quarter, which allows a faster return to pre-covid growth.

During this period, 42 restaurants were closed definitively, sixteen of which were franchised and nine new restaurants were opened.

The closure of the 24 equity restaurants in Spain resulted from the decision to concentrate Pizza Móvil and Pizza Hut operation in urban centers, the option of not renewing the lease contracts for six restaurants of the Pans, Ribs and Frescco brands, and the end of the concession contract at the FCB stadium.

Following the KFC strategy of expansion five new restaurants were opened, one of which in Spain, two Burger King and one Ribs in Portugal and the last restaurant that remained to be opened at Barcelona airport, under the contract that started in May 2018, to complete the commitments that resulted from tenders.

At the end of the period, the total number of restaurants was 626 (530 equity and 96 franchises), as shown below:

| Nº of Restaurants | 2019 31-Dec | Openings | Transfer | Closures | 2020 30/Sep |
|---|---|---|---|---|---|
| **PORTUGAL** | **355** | **7** | **0** | **2** | **360** |
| **Equity Restaurants** | **354** | **7** | **0** | **2** | **359** |
| Pizza Hut | 98 | | | 1 | 97 |
| Okilo+MIIT+Ribs | 4 | 1 | | | 5 |
| Pans+Roulotte | 45 | | | 1 | 44 |
| Burger King | 101 | 2 | | | 103 |
| KFC | 30 | 4 | | | 34 |
| 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** | | **36** | **253** |
| **Equity Restaurants** | **183** | **2** | | **24** | **161** |
| Pizza Móvil | 23 | | | 9 | 14 |
| Pizza Hut | 5 | | | 2 | 3 |
| Burger King | 37 | | | | 37 |
| Pans | 35 | | | 3 | 32 |
| Ribs | 15 | | | 2 | 13 |
| FrescCo | 3 | | | 1 | 2 |
| KFC | 1 | 1 | | | 2 |
| Concessions | 64 | 1 | | 7 | 58 |
| **Franchise Restaurants** | **104** | **0** | | **12** | **92** |
| Pizza Móvil | 12 | | | 3 | 9 |
| Pans | 52 | | | 3 | 49 |
| Ribs | 22 | | | 3 | 19 |
| FrescCo | 5 | | | | 5 |
| SantaMaria | 13 | | | 3 | 10 |
| **ANGOLA** | **10** | | | | **10** |
| KFC | 9 | | | | 9 |
| Pizza Hut | 1 | | | | 1 |
| **Other Locations - Franchise** | **7** | **0** | | **4** | **3** |
| Pans | 7 | | | 4 | 3 |
| **Total Equity Restaurants** | **547** | **9** | **0** | **26** | **530** |
| **Total Franchise Restaurants** | **112** | **0** | **0** | **16** | **96** |
| **TOTAL** | **659** | **9** | **0** | **42** | **626** |

## *Results*

The consolidated net income of 9M amounted to Eur -36.9 million compared to Eur 10.5 million, in the same period of 2019.

The abrupt closure in March and the confinement period that continued until mid-May, during which 73% of the restaurants operated by the Group remained closed, strongly penalized the operational performance, and it was not possible in this period to adjust the cost items to the reduction in sales, which inevitability led to increases in the weight of the items costs and inherent loss of profitability.

The gradual resumption of activity in the third quarter and the conclusion of the negotiations with part of the landlords, allowed in this period minimize losses resulting from 40% reduction in activity and to achieve positive operating results with IFRS16.

| (Million euros) | 1Q 2020 | 2Q 2020 | 3Q 2020 | 9M 2020 | 9M 2019 | VAR % |
|---|---|---|---|---|---|---|
| **Operating income** | | | | | | |
| Sales | 94,4 | 38,6 | 79,9 | 212,9 | 353,5 | -39,8% |
| Rendered services | 0,6 | 0,0 | 0,4 | 1,0 | 2,7 | -63,8% |
| Other operating income | 2,4 | 1,2 | 4,3 | 7,9 | 7,1 | 12,3% |
| **Total operating income** | **97,4** | **39,9** | **84,6** | **221,8** | **363,2** | **-38,9%** |
| **Operating costs** | | | | | | |
| Cost of sales | 23,9 | 9,8 | 20,3 | 54,0 | 87,0 | -38,0% |
| External supplies and services | 21,2 | 13,0 | 15,6 | 49,8 | 74,7 | -33,3% |
| Personnel costs | 36,8 | 15,9 | 25,8 | 78,6 | 109,8 | -28,5% |
| Amortisation, depreciation and impairment losses | 21,3 | 25,6 | 20,5 | 67,4 | 60,1 | 12,2% |
| Other operating costs | 0,6 | 0,8 | 2,2 | 3,6 | 2,8 | 28,9% |
| **Total operating costs** | **103,8** | **65,2** | **84,3** | **253,4** | **334,5** | **-24,2%** |
| **Operating Income** | **-6,4** | **-25,4** | **0,2** | **-31,6** | **28,8** | **-209,7%** |
| **EBITDA** | **14,9** | **0,3** | **20,7** | **35,9** | **88,8** | **-59,6%** |

**Turnover** amounted to 213.9 million euros, a decrease of 142.3 million euros compared to the same period of the previous year.

**Gross margin** was 74.8% of turnover, 0.8p.p lower than the previous year (9M19: 75.6%). This reduction was due to the loss of perishable raw materials in March, following the abrupt interruption of restaurant activity and the limited operation to segments of greater promotional aggressiveness and consequently with lower margins.

**Staff costs** decreased 28.5%, representing 36.7% of the turnover (9M19: 30.8%).

To reconcile the abrupt reduction in activity and the protection of jobs, the group's companies joined ERTE in Spain and the simplified and normal Lay-off in Portugal.

ERTE in Spain entered into force from the 18th of March, remaining with around 35% of employees at the end of the 3rd quarter. In Portugal, around 1% of employees remained in the normal Lay-off at the end of the 3rd quarter, while the simplified one, was in force from April until July.

**External Supplies and services** decreased 33.3%, representing 23.3% of turnover, which represents an increase of 2.3p.p. compared to the same period of the previous year (9M19: 22.0%).

In the second quarter, several contracts were cancelled and renegotiated, which made possible to mitigate part of the losses in result from the closure of restaurants. However, the increase in the weight of sales through delivery, did not allow for a greater reduction in the weight of this cost.

As a result of the amended IFRS16 standard, that concerns accounting treatment of rent deductions and reductions due to COVID-19, Eur 8.5 million are recognized as result of agreements with landlords and the suspension of minimum rents in shopping centers in Portugal, due to the application of Law n.º 27 – A / 2020 in the period from August to December 2020.

As of 30th September, negotiations have not yet been concluded, which will have a very significant impact, namely regarding restaurants located in shopping centers (April to July period) and airports in Spain. Leases with shopping centers not yet agreed represent a cost of Eur 2.9 million and with airports in Spain a cost of Eur 14.2 million.

**Other operating income and costs** with a total amount of 4.3 million euros compare with the same amount in the same period of 2019. In 2020, the following amounts were registered:

- In operating income, under the "Extraordinary Incentive to the Normalization of Business Activity" was granted an incentive in the amount of Eur 1.8 million;
- In other operating costs, losses on fixed assets due to the closure of restaurants in the amount of Eur 0.7 million.

Therefore **EBITDA** amounted to 35.9 million euros, a decrease of 59.6% compared to the same period of the previous year.

Consolidated **EBITDA** margin stood at 16.8% of turnover which compares with 24.9% in the same period of the previous year.

**Amortization and impairment losses**

Depreciation for the period of 67.4 million euros, which represents an increase of 7.4 million euros.

Impairment losses in the first half of 3.7 million euros. Due to the relevant impact on the activity, impairment tests were carried out in the first half led to the recognition of impairment losses on the following assets:

i) Pizza Móvil Goodwill – 3.1 million euros
ii) Tangible assets of five restaurants – 0.5 million euros;

**EBIT** margin was -14.8% of turnover, which compares with 8.1% in the same period of the previous year.

Consolidated **Financial Results** were 16.3 million euros, around 1.5 million euros lower than the 9M19.

The cost of net debt decreased by 0.3 million euros compared to the same period of the previous year, to 2.5 million euros.

Average cost of loans was 1.9%, lower than 9M19 (2.2%), due to the reduction of loans in Angola with a higher cost, and the lower cost of loans contracted this year.

## *Financial Situation*

Total Assets amounted to 758.4 million euros and Equity stood at 175.4 million euros, representing 23.1% of assets. Eliminating the impact of IFRS16, Equity would represent 37% of total Assets.

CAPEX reached 12.1 million euros. About 10.8 million corresponds to the investment incurred in to complete the expansion plan and the remaining for the refurbishment and modernization of some restaurants.

Current assets amounted to 118.4 million euros, of which 71.5 million correspond to cash and cash equivalents.

Current liabilities amount to 161.7 million euros, of which 48.1 million correspond to Liabilities with Leases and 41 million euros to current loans. With regard to current loans, it should be noted that the Group has 22 million euros of contracted lines and not used with maturities over 1 year. 15 million euros were refinanced in July (with effect from December) and 8 million are in the restructuring.

Without IFRS16, Net debt at 30th September 2020 increased by 37.1 million euros, to 115.2 million euros, to finance the needs generated by the pandemic crisis.

| | 30/09/2020 | 31/12/2019 | Δ |
|---|---|---|---|
| **Total Assets** | **758,4** | **777,3** | -18,9 |
| **Total Equity** | **175,4** | **214,2** | -38,9 |
| Loans | 177,8 | 121,2 | 56,6 |
| Liability for leases | 323,2 | 340,0 | -16,8 |
| Other liabilities | 82,1 | 101,9 | -19,8 |
| **Total Equity and Liabilities** | **758,4** | **777,3** | -18,9 |

## *Outlook*

ECB forecasts point to a reduction of 10% of GDP for Portugal and Spain, with a partial and slow recovery over the following years, namely in the business areas that depend on flow and circulation of people, as well as airports and shopping centers;

As of the date of publication of this report, there is a second wave of the Covid-19 outbreak in European countries, which has led to the restriction of circulation and of the opening hours of restaurants throughout the Iberian, compromising the maintenance of the pace of recovery until the month of October.

With the sharp increase in the spread of the virus in recent weeks it is possible that will keep the restrictions on the circulation and operation of restaurants. Due to this possibility, the Group foresees a reduction in the annual turnover to around 40%, which eventual worsening in the application of measures restricting the mobility of people during the Christmas period may possibly worsen this scenario.

Ibersol Group permanently assesses developments, adjusting operations according to the behaviour of demand, in order to minimize the impacts resulting from this crisis, in order to guarantee the interest of all stakeholders.

We continue to make efforts to conclude rental negotiations with shopping centers and concessionaires, which are expected to have a significant impact on the annual accounts.

In addition to the nine openings completed until September, two new Taco Bell's, one Burger King and one Ribs restaurants have been already opened. By the end of the year, an additional opening of 3 Drive Thru restaurants is planned, due to the good performance of this segment in the current pandemic context.

Porto, 19th November 2020

António Carlos Vaz Pinto de Sousa

António Alberto Guerra Leal Teixeira

Juan Carlos Vázquez-Dodero

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

# Interim Consolidated Condensed Financial Statements

**30th September 2020**

**IBERSOL S.G.P.S., S.A.**
**CONDENSED STATEMENT OF INTERIM CONSOLIDATED FINANCIAL POSITION**
**ON SEPTEMBER 30, 2020**
**(values in euros)**

| ASSETS | Notes | 30/09/2020 | 31/12/2019 |
|---|---|---|---|
| **Non-current** | | | |
| Tangible fixed assets | 8 | 206 777 343 | 216 563 700 |
| Rights of use | 7 | 285 030 221 | 321 812 178 |
| Goodwill | 9 | 84 851 938 | 87 968 225 |
| Intangible assets | 9 | 36 317 737 | 36 440 964 |
| Financial investments - joint controlled subsidiaries | | 2 474 955 | 2 566 336 |
| Non-current financial assets | | 543 378 | 435 226 |
| Other financial assets | 19 | 858 898 | 2 710 150 |
| Other non-current assets | 16 | 7 902 671 | 8 238 111 |
| Deferred tax | | 15 273 924 | 4 010 940 |
| **Total non-current assets** | | **640 031 065** | **680 745 830** |
| **Current** | | | |
| Inventories | | 11 797 047 | 12 014 986 |
| Cash and bank deposits | 20 | 61 411 905 | 38 424 757 |
| Income tax receivable | | 1 863 427 | 1 502 658 |
| Other financial assets | 19 | 10 128 931 | 12 916 621 |
| Other current assets | 16 | 33 198 054 | 31 681 067 |
| **Total current assets** | | **118 399 364** | **96 540 090** |
| **Total Assets** | | **758 430 430** | **777 285 920** |

| EQUITY AND LIABILITIES | Notes | 30/09/2020 | 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 | | 1 629 598 | 1 075 511 |
| Conversion Reserves | | -12 283 947 | -10 355 553 |
| Other Reserves & Retained Results | | 197 372 003 | 180 376 862 |
| Net profit in the year | | -36 840 904 | 17 549 228 |
| | | **175 166 171** | **213 935 469** |
| Interests that do not control | | 197 781 | 293 007 |
| **Total Equity** | | **175 363 952** | **214 228 476** |
| **LIABILITIES** | | | |
| **Non-current** | | | |
| Loans | 11 | 136 817 706 | 74 763 367 |
| Liability for leases | 11 | 275 125 106 | 286 206 086 |
| Deferred tax | | 9 327 657 | 8 671 083 |
| Provisions | | 33 257 | 33 257 |
| Derivative financial instrument | | 92 945 | 128 699 |
| Other non-current liabilities | | 6 026 | 6 146 |
| **Total non-current liabilities** | | **421 402 697** | **369 808 638** |
| **Current** | | | |
| Loans | 11 | 40 968 795 | 46 399 315 |
| Liability for leases | 11 | 48 069 815 | 53 777 115 |
| Accounts payable to suppliers and accrued costs | 21 | 59 311 678 | 77 816 608 |
| Income tax payable | | 442 589 | 689 748 |
| Other current liabilities | 16 | 12 870 904 | 14 566 020 |
| **Total current liabilities** | | **161 663 781** | **193 248 806** |
| **Total Liabilities** | | **583 066 478** | **563 057 444** |
| **Total Equity and Liabilities** | | **758 430 430** | **777 285 920** |

Porto, 19th November 2020 — The Board of Directors,

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

## CONDENSED STATEMENT OF RESULTS AND OTHER INTERIM CONSOLIDATED INTEGRAL INCOME FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER, 2020 AND 2019

**(values in euros)**

| | Notes | 30/09/2020 | 30/09/2019 |
|---|---|---|---|
| Sales | 6 | 212 929 663 | 353 499 418 |
| Rendered services | 6 | 960 355 | 2 652 722 |
| Cost of sales | | -53 968 928 | -87 045 731 |
| External supplies and services | | -49 829 086 | -74 721 609 |
| Personnel costs | | -78 554 674 | -109 816 989 |
| Amortisation, depreciation and impairment losses of TFA, Rights of Use, Goodwill and IA | 7, 8 and 9 | -67 433 414 | -60 084 603 |
| Other operating costs | | 4 339 155 | 4 274 803 |
| **Operating Income** | | -31 556 929 | 28 758 011 |
| Financial expenses and losses | 17 | -16 298 609 | -17 807 760 |
| Financial income and gains | 17 | 935 099 | 1 232 000 |
| Gains (losses) in joint controlled subsidiaries - Equity method | | -291 381 | 152 302 |
| Gains (losses) on Net monetary position | | - | - |
| **Profit before tax** | | **-47 211 820** | **12 334 553** |
| Income tax expense | 18 | 10 325 496 | -1 809 049 |
| **Net profit** | | **-36 886 324** | **10 525 504** |
| Other comprehensive income: | | | |
| Change in currency conversion reserve (net of tax and that can be recycled for results) | | -1 928 394 | -977 288 |
| **TOTAL COMPREHENSIVE INCOME** | | **-38 814 718** | **9 548 216** |
| **Net profit attributable to:** | | | |
| Owners of the parent | | -36 840 904 | 10 482 194 |
| Non-controlling interest | | -45 420 | 43 309 |
| | | -36 886 324 | 10 525 503 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | -38 769 298 | 9 504 906 |
| Non-controlling interest | | -45 420 | 43 309 |
| | | -38 814 718 | 9 548 215 |
| **Earnings per share:** | 10 | | |
| Basic | | **-1,14** | **0,32** |
| Diluted | | **-1,14** | **0,32** |

Porto, 19th November 2020

The Board of Directors,

## IBERSOL S.G.P.S., S.A.
## CONDENSED STATEMENT OF RESULTS AND OTHER INTERIM CONSOLIDATED INTEGRAL INCOME
## FOR THE THIRD TRIMESTER OF 2020 AND 2019
**(values in euros)**

| | Notes | 3rd TRIMESTER (unaudited) 2020 | 2019 |
|---|---|---|---|
| Sales | | 79 888 504 | 133 900 954 |
| Rendered services | | 359 740 | 914 325 |
| Cost of sales | | -20 261 523 | -32 866 640 |
| External supplies and services | | -13 102 484 | -25 994 395 |
| Personnel costs | | -25 798 007 | -38 329 721 |
| Amortisation, depreciation and impairment losses of TFA, Rights of Use, Goodwill and IA | | -20 479 004 | -20 444 922 |
| Other operating costs | | -361 510 | 2 357 268 |
| **Operating Income** | | 245 716 | 19 536 868 |
| Financial expenses and losses | | -5 330 205 | -6 078 754 |
| Financial income and gains | | 225 410 | 369 212 |
| Gains (losses) in joint controlled subsidiaries - Equity method | | -209 180 | 19 959 |
| Gains (losses) on Net monetary position | | - | -583 621 |
| **Profit before tax** | | **-5 068 259** | **13 263 664** |
| Income tax expense | | 1 544 023 | -3 306 142 |
| **Net profit** | | **-3 524 236** | **9 957 522** |
| Other comprehensive income: | | | |
| Change in currency conversion reserve (net of tax and that can be recycled for results) | | -700 718 | -349 337 |
| **TOTAL COMPREHENSIVE INCOME** | | **-4 224 954** | **9 608 185** |
| **Net profit attributable to:** | | | |
| Owners of the parent | | -3 509 562 | 9 917 053 |
| Non-controlling interest | | -14 674 | 40 469 |
| | | -3 524 236 | 9 957 522 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | -4 210 280 | 9 567 716 |
| Non-controlling interest | | -14 674 | 40 469 |
| | | -4 224 954 | 9 608 185 |
| **Earnings per share:** | | | |
| Basic | | **-0,11** | **0,31** |
| Diluted | | **-0,11** | **0,31** |

Porto, 19th November 2020

The Board of Directors,

# IBERSOL S.G.P.S., S.A.
## CONDENSED STATEMENT OF CHANGES IN INTERIM CONSOLIDATED EQUITY
## for the nine months period ended 30th September, 2020 and 2019
**(value in euros)**

| | Note | Assigned to shareholders | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 |
| **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 | | | | | | -977 288 | | | -977 288 | | -977 288 |
| Net consolidated income for the nine months period ended on 30 September, 2019 | | | | | | | | 10 482 194 | 10 482 194 | 43 309 | 10 525 503 |
| **Total changes in the period** | | - | - | - | 319 930 | -977 288 | 24 642 131 | -14 479 867 | 9 504 906 | 43 309 | 9 548 215 |
| **Net profit** | | | | | | | | **10 482 194** | **10 482 194** | **43 309** | **10 525 503** |
| Total comprehensive income | | | | | | | | | 9 504 906 | 43 309 | 9 548 215 |
| **Transactions with capital owners in the period** | | | | | | | | | | | |
| Application of the consolidated profit from 2018: | | | | | | | | | | | |
| Paid dividends | | | | | | | -3 240 000 | | -3 240 000 | -126 779 | -3 366 779 |
| | | - | - | | - | - | -3 240 000 | - | -3 240 000 | -126 779 | -3 366 779 |
| **Balance on 30 September 2019** | | **36 000 000** | **-11 180 516** | **469 937** | **1 075 511** | **-8 118 195** | **180 376 864** | **10 482 194** | **209 105 795** | **245 734** | **209 351 529** |
| **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 | | | | | 554 087 | | 16 995 141 | -17 549 228 | - | | - |
| Conversion reserves - Angola | | | | | | -1 928 394 | | | -1 928 394 | | -1 928 394 |
| Net consolidated income for the nine months period ended on 30 September, 2020 | | | | | | | | -36 840 904 | -36 840 904 | -45 420 | -36 886 324 |
| **Total changes in the period** | | - | - | - | 554 087 | -1 928 394 | 16 995 141 | -54 390 132 | -38 769 298 | -45 420 | -38 814 718 |
| **Net profit** | | | | | | | | **-36 840 904** | **-36 840 904** | **-45 420** | **-36 886 324** |
| Total comprehensive income | | | | | | | | | -38 769 298 | -45 420 | -38 814 718 |
| **Transactions with capital owners in the period** | | | | | | | | | | | |
| Application of the consolidated profit from 2019: | | | | | | | | | | | |
| Paid dividends | | | | | | | | | - | -49 806 | -49 806 |
| | | - | - | - | - | - | - | - | - | -49 806 | -49 806 |
| **Balance on 30 September 2020** | | **36 000 000** | **-11 180 516** | **469 937** | **1 629 598** | **-12 283 947** | **197 372 003** | **-36 840 904** | **175 166 171** | **197 781** | **175 363 952** |

Porto, 19th November 2020

The Board of Directors,

**IBERSOL S.G.P.S., S.A.**
**Condensed Statement of Interim Consolidated Cash Flows**
**for the nine months period ended 30 September, 2020 and 2019**
**(value in euros)**

| | Note | Nine months period ended on September 30 2020 | 2019 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from clients | | 217 973 920 | 357 951 221 |
| Payments to supliers | | -107 147 660 | -147 742 592 |
| Staff payments | | -65 987 971 | -106 636 508 |
| Flows generated by operations | | 44 838 289 | 103 572 121 |
| Payments/receipt of income tax | | -739 871 | -3 436 690 |
| Other paym./receipts related with operating activities | | -21 378 227 | -12 285 475 |
| Flows from operating activities (1) | | **22 720 191** | **87 849 956** |
| **Cash Flows from Investment Activities** | | | |
| Receipts from: | | | |
| Financial investments | | 81 016 | 82 440 |
| Tangible fixed assets | | 1 412 | 22 225 |
| Interest received | | 748 362 | 1 080 924 |
| Other financial assets | | 3 742 596 | 3 319 475 |
| Payments for: | | | |
| Financial Investments | | 189 167 | 306 550 |
| Tangible fixed assets | | 23 404 873 | 33 742 508 |
| Intangible assests | | 1 931 645 | 3 305 525 |
| Flows from investment activities (2) | | -20 952 299 | -32 849 519 |
| **Cash flows from financing activities** | | | |
| Receipts from: | | | |
| Loans obtained | | 61 175 156 | 23 193 010 |
| Payments for: | | | |
| Loans obtained | | 3 248 231 | 19 059 612 |
| Amortisation and interest of liability for leases | | 33 641 066 | 42 143 628 |
| Interest and similar costs | | 3 257 049 | 3 944 161 |
| Dividends paid | | | 3 366 779 |
| Flows from financing activities (3) | | 21 028 810 | -45 321 170 |
| **Change in cash & cash equivalents (4)=(1)+(2)+(3)** | | **22 796 702** | **9 679 267** |
| Cash & cash equivalents at the start of the period | | 34 684 804 | 32 048 560 |
| **Cash & cash equivalents at end of the period** | 20 | **57 481 506** | **41 727 827** |

Porto, 19th November 2020 The Board of Directors,

IBERSOL SGPS, S.A.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED ON 30 SEPTEMBER 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 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, Taco Bell, Sol, Sugestões e Opções, Silva Carvalho Catering e Palace Catering, coffee counters and other concessions. The group has 530 units which it operates and 96 units under a franchise contract. Of this universe, 360 are headquartered in Portugal, of which 359 are owned and 1 franchised, and 253 are based in Spain, spread over 161 own establishments and 92 franchisees. Finally, 10 units are located in Angola and 3 in other locations.

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 30 September 2020 are identical to those applied for preparing the financial statements of 30 September and 31 December 2019, except for the exchange currency differences included in other income / other operating costs and excluded from net financing cost.

These financial statements were approved by the Board of Directors and authorised for emission on 19th November 2020.

## 3. New standards, amendments and interpretation adopted

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

a) 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.

b) 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.

c) 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.

d) 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.

e) IFRS 16 (amendment), “Leases” (issued on May 28, 2020, to be applied in annual periods beginning on or after June 1, 2020). The general purpose of this change is to allow tenants, as a practical expedient, to treat the changes / concessions related to COVID-19. The change does not affect owners.

These standards and amendments had no material impact on the Group's consolidated financial statements, with the exception of IFRS16 amendment. The group treated rent bonus related with Covid 19 as not being a change to the lease agreement, recognizing the gain obtained from discounts applied to rents in the Condensed Statement of Income and Other Comprehensive Income Consolidated Interim in the amount of 8.5 million euros.

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.
4. Improvements to international financial reporting standards 2018-2020 (issued on May 14, 2020, to be applied to annual periods beginning on or after January 1, 2022). These improvements involve the revision of several standards.
5. IFRS 4 (amendment). Deferral of effective dates for the application of two optional solutions (temporary exemptions to IFRS 9 and overlap approach).
6. IAS 16 (amendment). Income obtained before commissioning.
7. IAS 37 (amendment), “Onerous Contracts”. Costs of fulfilling a contract.
8. Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 - Reform of the reference interest rate (phase 2).

The Group is assessing the impact resulting from these changes and will apply these standards in the year in which they become effective, or in advance when permitted.

## 4. IMPORTANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continuously evaluated and are based on past experience and on other factors, including expectations regarding future events that are believed to be reasonably probable within the respective circumstances.

Estimates, assumptions and circumstances will rarely, by definition, match actual reported results. Estimates and assumptions that present a significant risk of leading to a material adjustment in the accounting value of the assets and liabilities in the following year are described below:

a) Estimated impairment of goodwill
The group performs annual tests to determine whether the goodwill is subject to impairment, according to the accounting policy. Recoverable amounts from the units generating cash flows are determined based on the calculation of utilisation values. Those calculations require the use of estimates (Note 9).

The assumptions used are sensitive to changes in macroeconomic indicators and to the business assumptions used by management. Considering the uncertainties regarding the goodwill recovery value due to the fact that they are based on the best information available at the date, changes in the assumptions could result in impacts in determining the level of impairment and, consequently, in the results.

b) Provisions
The group on a periodic basis examines possible obligations arising from past events that should be recognized or disclosed.

The subjectivity inherent in determining the probability and amount of internal resources required to settle these obligations may result in significant adjustments due to changes in the assumptions used or the future recognition of provisions previously disclosed as contingent liabilities.

c) Estimated lifetime and impairment of tangible and intangible assets
Tangible and intangible fixed assets are subject to systematic depreciation for the period determined to be their economic useful life. The determination of lifetime period of the assets and the depreciation method to be applied, is essential to determine the amount of depreciation to be recognized in the income statement for each year.

According to the best judgment of the Board of Directors and considering the practices adopted by companies in the sector internationally these two parameters are set for the assets and business in question.

The recoverability of tangible and intangible fixed assets requires the definition of estimates and assumptions by the Management, namely, when applicable, with regard to the determination of the value in use in the scope of the impairment tests of the Group's cash generating units.

d) Impairment losses foreseen
In applying the expected impairment loss models, the Group assesses the probability of default and estimated losses in the event of default. This evaluation involves relevant estimates by the Group, which are based on a set of historical information and assumptions, which may not be representative of the future uncollectibility of the Group's debtors.

e) Lease term and Incremental financing rates
To determine the estimated impacts of adopting IFRS 16, the Group makes estimates on the lease terms and their incremental financing rates, which incorporate specific market and entity risks that require the Group to make relevant judgments and estimates.

f) COVID 19

The World Health Organization on 11 March declared a pandemic associated with the spread of Covid-19, having been declared the “Estado Alarma” in Spain and soon afterwards the State of Emergency in Portugal. Later, at the end of the month, the same happened in Angola. The state of emergency determined measures to contain the population and the closure of most shops and restaurants.

With the gradual opening of the economy and, despite being open, restaurants have been operating below their normal potential.

In order to reconcile the abrupt reduction in activity and the protection of jobs, the Group's companies joined the ERTE (Expediente de Regulación Temporal de Empleo) in Spain and the simplified and normal Lay-off in Portugal.

At the same time, and as detailed in Note 23, initiatives were taken to reduce costs, renegotiate contracts, including the financial rebalancing of lease contracts and the negotiation of payment terms.

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

**5.1. The following group companies were included in the consolidation on 30 September 2020 and 30 September and 31 December 2019:**

| | Company | Head Office | % Shareholding | | |
|---|---|---|---|---|---|
| | | | Sep/20 | Dec/19 | Sep/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 | 50% | 50% | 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, and associated Ziaicos, were 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 2020 there was no acquisition of subsidiaries.

### 5.2.2. Disposals

In the nine months period ended on 30 September 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 nine-month periods ended September 30, 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** | **52 256 980** | **84 199 032** | **129 311 563** | **170 041 614** | **32 206 438** | **101 637 505** | **115 037** | **273 989** | **213 890 018** | **356 152 140** |
| **Operating income net of Amortization, deprec. and impairment losses** | **4 875 734** | **16 604 977** | **25 966 794** | **35 470 015** | **4 657 162** | **36 480 786** | **376 795** | 286 836 | **35 876 485** | **88 842 614** |
| Amortization, depreciation and impairment losses | 13 113 942 | 8 839 900 | 23 690 150 | 20 735 145 | 29 781 441 | 29 488 489 | 847 881 | 1 021 069 | 67 433 414 | 60 084 603 |
| **Operating income (1)** | **-8 238 208** | **7 765 077** | **2 276 643** | **14 734 870** | **-25 124 279** | **6 992 297** | **-471 086** | **-734 233** | **-31 556 929** | 28 758 011 |
| **Net financing cost** | | | | | | | | | 15 363 510 | 16 575 760 |
| Other non-operating gains and losses | | | | | | | | | -291 381 | 152 302 |
| Income tax expense | | | | | | | | | -10 325 496 | 1 809 049 |
| **Net profit** | | | | | | | | | **-36 886 324** | **10 525 504** |
| Total assets allocated* | 103 728 739 | 107 316 064 | 313 145 357 | 323 975 084 | 299 160 607 | 309 506 689 | 11 252 213 | 11 641 356 | 727 286 916 | 752 439 193 |
| Total liabilities allocated* | 40 215 098 | 43 889 096 | 125 373 192 | 136 827 119 | 228 670 693 | 249 561 743 | 1 157 802 | 1 263 577 | 395 416 785 | 431 541 536 |

| 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** | **52 256 980** | **84 199 032** | **129 311 563** | **170 041 614** | **32 206 438** | **101 637 505** | **115 037** | **273 989** | **213 890 018** | **356 152 140** |
| **Operating income net of Amortization, deprec. and impairment losses** | **-1 902 771** | **11 311 420** | **11 614 480** | **23 886 304** | **-14 941 506** | **8 668 040** | - | - | **-5 229 798** | **43 865 765** |
| Amortization, depreciation and impairment losses | 7 974 593 | 4 203 388 | 13 640 369 | 11 460 347 | 3 520 490 | 3 563 913 | 688 165 | 761 478 | 25 823 617 | 19 989 126 |
| **Operating income (1)** | **-9 877 364** | **7 108 032** | **-2 025 889** | **12 425 957** | **-18 461 996** | **5 104 127** | **-688 165** | **-761 478** | **-31 053 415** | 23 876 639 |
| **Net financing cost** | | | | | | | | | 2 792 401 | 2 746 502 |
| Other non-operating gains and losses | | | | | | | | | -291 381 | 152 302 |
| Income tax expense | | | | | | | | | -5 350 584 | 3 787 332 |
| **Net profit** | | | | | | | | | **-28 786 613** | **17 495 106** |
| Total assets allocated* | 64 727 669 | 63 248 431 | 195 405 528 | 190 939 874 | 186 678 917 | 182 412 695 | 7 021 482 | 6 861 018 | 453 833 596 | 443 462 019 |
| Total liabilities allocated* | 7 982 699 | 10 423 626 | 24 886 585 | 32 496 336 | 45 391 145 | 59 270 722 | 229 824 | 300 099 | 78 490 253 | 102 490 783 |

* non allocated amounts on 30 September 2020 and 31 December 2019 refer essentially to other financial assets, loans and deferred taxes.

(1) In the Concessions and Catering segment, Travel brand, the exemption of RMGA (minimum guaranteed rents) was considered in the months of the state of alarm in Spain (April to June).

On September 30, 2020 and 2019 income and non-current assets by geography is presented as follows:

| **30 SEPTEMBER 2020** | **Portugal** | **Angola** | **Spain** | **Grupo** |
|---|---|---|---|---|
| **Total sales and services** | **138 908 464** | **5 654 886** | **69 326 668** | **213 890 018** |
| Tangible fixed and intangible assets | 152 596 966 | 20 309 426 | 70 188 688 | 243 095 080 |
| Rights of use | 83 142 305 | 724 529 | 201 163 387 | 285 030 221 |
| Goodwill | 7 605 482 | - | 77 246 456 | 84 851 938 |
| Deferred tax asset | - | - | 15 273 924 | 15 273 924 |
| Financial investments - joint controlled subsidiaries | 2 474 955 | - | - | 2 474 955 |
| Non-current financial assets | 543 378 | - | - | 543 378 |
| Other financial assets | - | 858 898 | - | 858 898 |
| Other non-current assets | - | - | 7 902 671 | 7 902 671 |
| **Total non-current assets** | **246 363 086** | **21 892 853** | **371 775 126** | **640 031 065** |

| **30 SEPTEMBER 2019** | **Portugal** | **Angola** | **Spain** | **Grupo** |
|---|---|---|---|---|
| **Total sales and services** | **190 256 994** | **10 132 491** | **155 762 655** | **356 152 140** |
| Tangible fixed and intangible assets | 154 917 073 | 24 711 669 | 58 176 447 | 237 805 189 |
| Rights of use | 68 718 822 | 2 397 489 | 264 897 142 | 336 013 453 |
| Goodwill | 7 605 482 | - | 83 240 845 | 90 846 327 |
| Financial investments - joint controlled subsidiaries | 2 612 144 | - | - | 2 612 144 |
| Non-current financial assets | 435 539 | - | - | 435 539 |
| Other financial assets | - | 12 405 449 | - | 12 405 449 |
| Other non-current assets | - | - | 12 159 079 | 12 159 079 |
| **Total non-current assets** | **234 289 060** | **39 514 608** | **418 473 513** | **692 277 181** |

7. RIGHTS OF USE

In the nine months period ended 30 September 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 | 384 554 772 |
| Accumulated depreciation | 62 742 598 |
| **Net amount** | **321 812 178** |

| | Rights of use |
|---|---|
| **1 January 2020** | |
| Initial net amount | 321 812 178 |
| Currency conversion | -316 117 |
| Additions | 7 934 505 |
| Decreases | -545 650 |
| Transfers | -750 910 |
| Depreciation in the year | 43 103 785 |
| **Final net amount** | **285 030 221** |
| **30 September 2020** | |
| Cost | 388 676 091 |
| Accumulated depreciation | 103 645 870 |
| **Net amount** | **285 030 221** |

8. TANGIBLE FIXED ASSETS

In the nine months period ended 30 September 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 | -264 963 | -449 726 | -161 686 | -30 102 | -65 310 | -971 787 |
| Additions | - | 6 546 045 | 2 107 763 | 537 013 | 1 048 788 | 10 239 609 |
| Decreases | - | -424 337 | -153 591 | -35 783 | -20 006 | -633 716 |
| Transfers | - | 1 604 793 | 961 823 | 102 124 | -2 566 484 | 102 255 |
| Depreciation in the year | 15 943 | 10 178 984 | 6 104 654 | 1 635 184 | - | 17 934 765 |
| Impairment in the year | - | 627 296 | - | - | - | 627 296 |
| Impairment reversion | - | -20 610 | -18 735 | - | - | -39 345 |
| **Final net amount** | **13 638 564** | **147 740 513** | **33 356 199** | **10 070 933** | **1 971 134** | **206 777 343** |
| **30 September 2020** | | | | | | |
| Cost | 13 877 833 | 272 400 321 | 139 750 450 | 31 253 578 | 1 971 134 | 459 253 316 |
| Accumulated depreciation | 239 269 | 114 457 104 | 105 701 491 | 21 139 643 | - | 241 537 507 |
| Accumulated impairment | - | 10 202 704 | 692 760 | 43 002 | - | 10 938 466 |
| **Net amount** | **13 638 564** | **147 740 513** | **33 356 199** | **10 070 933** | **1 971 134** | **206 777 343** |

The investment of 10 million euros in the first nine months of 2020 mainly refers to the opening of concessions in the travel Spain segment (1.5 million euros), and the remaining investment in five KFCs, two Burger King, two Taco Bell and one restaurant Ribs.

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).

<u>Tangible Fixed Assets - impairment tests</u>

On September 30, 2020 and December 31, 2019, impairment tests were carried out on the Group's main tangible assets that showed signs of impairment. The methods and main assumptions used in the preparation of the impairment tests were as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Portugal | Spain | Portugal | Spain |
| Method used | Use Value | | Use Value | |
| Base used* | Projections with perpetuity | Projections with perpetuity | Projections with perpetuity | Projections with perpetuity |
| Periodo Utiizado (anos) | 5 | 5 | 5 | 5 |
| Discount rate for the period (WACC)** | 7,4%/7,8%/8,2% | 6,5%/6,8%/7,2% | 5.6% | 5.2% |

* The discount rate presented was calculated based on the WACC (Weighted Average Cost of Capital) methodology.
** According to the business segment, Fast Food (Burguer King and KFC), Restaurants and Travel, respectively.

The perpetuity growth rate used in the cash flow projections is 2.5%.

The tests carried out on the Ibersol group restaurants with signs of impairment resulted in the need to record impairment in the amount of 627,296 euros and 492,745 euros as at 30 September 2020 and 31 December 2019, respectively, and impairment reversals in the amounts 39,345 euros and 937,480 euros, in the same period, related to tangible fixed assets, as follows:

September 2020

| Unit | Recoverable amount (use value) | Assets account value | Impairment losses |
|---|---|---|---|
| FresCo (1 unit) | - | 24 743 | 24 743 |
| Pizza Móvil (1 unit) | - | 47 374 | 47 374 |
| Ribs (1 unit) | - | 58 123 | 58 123 |
| Pans & C.ª (2 units) | 211 779 | 708 836 | 497 057 |
| TOTAL | 211 779 | 839 075 | 627 296 |

Year 2019

| Unit | Recoverable amount (use value) | Assets account value | Impairment losses |
|---|---|---|---|
| Ribs (1 unit) | 539 050 | 864 530 | 325 480 |
| Pizza Movil (2 units) | - | 167 265 | 167 265 |
| TOTAL | 539 050 | 1 031 795 | 492 745 |

The reversals of impairment as at 30 September 2020 and 31 December 2019 are presented as follows:

| Units | Sep/20 | Ano 2019 |
|---|---|---|
| Pizza Hut (2 units) | - | 403 720 |
| Burger King (1 unit) | - | 262 209 |
| Pasta caffe (1 unit) | - | 211 714 |
| Roulotte (1 unit) | - | 59 837 |
| Pans & C.ª (1 unit) | 23 247 | - |
| Ribs (1 unit) | 16 098 | - |
| TOTAL | 39 345 | 937 480 |

Sensitivity analysis

From the sensitivity analysis carried out, with an increase of 1% in the discount rate used for each of the segments, it did not lead to signs of additional impairments.

9. INTANGIBLE ASSETS AND GOODWILL

Goodwill and intangible assets are broken down as follows:

| | Sep/20 | Dec/19 |
|---|---|---|
| Goodwill | 84 851 938 | 87 968 225 |
| Intangible assets | 36 317 737 | 36 440 964 |
| | **121 169 675** | **124 409 189** |

The distribution of Goodwill allocated to the segments is presented as follows:

| | Sep/20 | Dec/19 |
|---|---|---|
| Restaurants | 8 624 542 | 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 |
| | **84 851 938** | **87 968 225** |

In the nine months period ended 30 September 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** | **14 416 923** | **2 092 155** | **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** | **14 416 923** | **2 092 155** | **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 | 14 416 923 | 2 092 155 | 1 415 225 | 124 409 189 |
| Currency conversion | - | - | -26 387 | - | -40 305 | -66 692 |
| Additions | - | - | 1 690 260 | - | 219 055 | 1 909 315 |
| Decreases | - | - | -22 677 | - | - | -22 677 |
| Transfers | - | - | 899 342 | 22 500 | -279 620 | 642 222 |
| Amortization in the year | - | 825 000 | 1 393 827 | 366 567 | - | 2 585 394 |
| Impairment in the year | 3 116 287 | - | - | - | - | 3 116 287 |
| **Final net amount** | **84 851 938** | **17 691 667** | **15 563 634** | **1 748 088** | **1 314 355** | **121 169 675** |
| **30 September 2020** | | | | | | |
| Cost | 84 851 938 | 22 000 000 | 48 189 094 | 13 565 559 | 1 314 354 | 169 920 945 |
| Accumulated amortization | - | 4 308 333 | 28 944 405 | 11 775 597 | - | 45 028 335 |
| Accumulated impairment | - | - | 3 681 055 | 41 874 | - | 3 722 929 |
| **Net amount** | **84 851 938** | **17 691 667** | **15 563 634** | **1 748 088** | **1 314 355** | **121 169 675** |

On September 30, 2020 and December 31, 2019, impairment tests were carried out on the Group's main assets that showed signs of impairment, and an impairment of 3,116,287 euros was recognized in Goodwill.

Goodwill and brands - Impairment tests

Goodwill is not amortized. The Group performs impairment tests on goodwill annually, or whenever there are signs of impairment.

As of September 30, 2020 and December 31, 2019, the methods and main assumptions used in the preparation of impairment tests for goodwill and Group brands were as follows:

| | **2020** | | | **2019** | | |
|---|---|---|---|---|---|---|
| | **Portugal** | **Spain** | **Spain (Vidisco)** | **Portugal** | **Spain** | **Spain (Vidisco)** |
| Method used | Use Value | | | Use Value | | |
| Base used* | Projections with perpetuity | Projections with perpetuity | Projections with perpetuity | Projections with perpetuity | Projections with perpetuity | Projections with perpetuity |
| Used Period (years) | 5 | 5 | 5 | 5 | 5 | 5 |
| Growth rate in perpetuity | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Discount rate for the period (WACC)** | 7,4%/7,8%/8,2% | 6,5%/6,8%/7,5% | 7,50% | 5.6% | 5.2% | 8% |

* The discount rate presented was calculated based on the WACC (Weighted Average Cost of Capital) methodology.
** According to the business segment, Fast Food (Burguer King and KFC), Restaurants and Travel, respectively.

In the interim accounts for the third quarter, given the impacts of Covid-19 in the catering sectors, impairment tests were carried out on Goodwill, with the assumptions for the evolution of the different segments, the most recent market inputs and the evolution of the operation, in the gradual reopening restaurants, as well as local and international entities that operate in the air transport market, with decisive relevance for the Travel segment.

The discount rates adopted correspond to the weighted average cost of capital (WACC) estimated for each of the segments operated in Portugal and Spain with the highest risk in the segments that show a trend of greater resistance to the recovery from the pandemic crisis.

Results of impairment tests:

As of September 30, 2020, the tests performed resulted in the need to record an impairment in the amount of 3,116,287 euros in goodwill (restaurants), as follows:

| September 2020 | | | |
| --- | --- | --- | --- |
| Unit | Recoverable amount (use value) | Assets account value | Impairment losses |
| Vidisco (CFU) | - | 3 116 287 | 3 116 287 |
| TOTAL | - | 3 116 287 | 3 116 287 |

Following the decision not to reopen nine Pizza Móvil restaurants in Spain, the need arose to constitute impairment for the total amount of 3.1 million euros. It should also be noted that, during the second quarter of the year, the remaining 17 restaurants resumed their activity.

Additional analyzes of signs of impairment and revision of projections did not result in the determination of losses.

Sensitivity Analysis

In the current climate of uncertainty, the assumptions used are sensitive to changes in macroeconomic indicators and to the business assumptions used by management. Considering the uncertainties regarding the goodwill recovery value due to the fact that they are based on the best information available at the date, changes in the assumptions could result in impacts in determining the level of impairment and, consequently, in the results.

The sensitivity analysis carried out, with an increase of 1% in the discount rate used for each of the segments, did not lead to signs of additional impairments.

## 10. INCOME PER SHARE

Income per share in the six months period ended 30 September 2020 and 2019 was calculated as follows:

| | Sep/20 | Sep/19 |
| --- | --- | --- |
| Profit payable to shareholders | -36 886 324 | 10 525 504 |
| Mean weighted number of ordinary shares issued | 36 000 000 | 36 000 000 |
| Mean weighted number of own shares | -3 599 981 | -3 599 981 |
| | 32 400 019 | 32 400 019 |
| Basic earnings per share (€ per share) | -1,14 | 0,32 |
| Earnings diluted per share (€ per share) | -1,14 | 0,32 |
| 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. LOANS AND LEASE LIABILITIES

### 11.1 Loans

On 30 September 2020 and 31 December 2019, current and non-current loans were broken down as follows:

| Non-current | Sep/20 | Dec/19 |
|---|---|---|
| Bank loans | 60 817 706 | 16 763 367 |
| Commercial paper programmes | 76 000 000 | 58 000 000 |
| | **136 817 706** | **74 763 367** |

| Current | Sep/20 | Dec/19 |
|---|---|---|
| Bank overdrafts | 3 930 399 | 3 739 953 |
| Bank loans | 30 038 396 | 23 659 362 |
| Commercial paper programmes | 7 000 000 | 19 000 000 |
| | **40 968 795** | **46 399 315** |
| **Total loans** | **177 786 501** | **121 162 682** |

There are no significant differences between the balance sheet amounts and fair value of current and non-current loans.

Long-term loans contracted under the acquisition of Eat Out Group include clauses with the following financial covenants:

| Financial Covenants | SPAIN (EOG Consolidated) | PORTUGAL (Consolidated) |
|---|---|---|
| Debt/EBITDA | **2,5x to 1,5x**<br>*from 2017 to 2021*<br>*with reductions of 0.25 per year* | **3,5x or 4,5x** |
| EBITDA/Financial Cost | **5x** | - |
| Equity/Assets | - | **30%** |

The Group is monitoring, together with the financial institutions, the evolution of compliance with the financing covenants, taking into account the assessment to be carried out on them at the end of the year 2020.

### 11.2 Lease liabilities

On 30 September 2020 and December 31, 2019, the company has commitments made to third parties, arising from lease contracts, namely real estate contracts, as follows:

| | set/20 | | | Dec/19 | | |
|---|---|---|---|---|---|---|
| | Corrente | Não corrente | Total | Corrente | Não corrente | Total |
| Leases | 48 069 815 | 275 125 106 | 323 194 921 | 53 777 115 | 286 206 086 | 339 983 201 |
| **TOTAL** | 48 069 815 | 275 125 106 | 323 194 921 | 53 777 115 | 286 206 086 | 339 983 201 |

## 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 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:

| | Sep/20 | Dec/19 |
|---|---|---|
| Bank guarantees | 25 462 685 | 26 329 519 |

13. COMMITMENTS

On September 30th, 2020 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 2020 and in the year 2019, under the heading of asset impairment losses were as follows:

| | Sep/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 | - | - | -630 629 | 627 296 | -39 345 | 10 938 466 |
| **Intangible assets** | 3 722 929 | - | - | - | - | - | 3 722 929 |
| **Stocks** | 74 981 | - | - | - | - | - | 74 981 |
| **Other current assets** | 2 585 661 | -5 484 | -1 158 744 | - | 818 915 | - | 2 240 348 |
| **Other financial assets (current and non-current)** | 707 366 | - | - | - | 130 927 | - | 838 293 |
| | 18 072 081 | -5 484 | -1 158 744 | -630 629 | 1 577 138 | -39 345 | 17 815 017 |

| | 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:

Sep/20

| Euro exchange rates (x foreign currency per 1 Euro) | Rate on June, 30 2020 | Average interest 1st Semester 2020 |
|---|---|---|
| Kwanza de Angola (AOA) | 725,163 | 651,890 |

Dec/19

| Euro exchange rates (x foreign currency per 1 Euro) | 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 16 million euros are based on interest maturities and repayment plans identical to the loan conditions. In addition, 24 million euros of debt contracted at a fixed rate.

Based on simulations carried out on September 30, 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 465 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

September 30, 2020, with the exception of the aforementioned TB's from the Republic of Angola in the amount of 11 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.

At 30 September 2020, current liabilities amounted to 162 million euros, compared to 118 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 and still circumstantially, the option for issuing under contracts of lesser maturity to the detriment of other programs of greater maturity that remain unused and consequently with amounts available for coverage. During the year 2020, the issue of Commercial Paper is considered to be considered as short-term debt (9,000,000 euros). Loans in the form of commercial paper issues are classified as non-current liabilities when they are guaranteed to be placed for a period of more than one year and it is the intention of the Group's Board of Directors to use this funding source for a period of more than one year. With the restructuring of the financing due in 2020 and the financing contracted in the second quarter, the Group will have sufficient available means to settle the total current liabilities.

As of September 30, 2020, surplus availability and other investments amounted to 53 million euros, corresponding to 28% of interest-bearing liabilities. On the other hand, it has contracted and unused lines that amount to 40 million euros.

After September 30, 2020, the payment of € 15M financing has already been renegotiated, moving from short to medium to long term.

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

| | to September 2021 | from September 2021 to 2039 |
|---|---|---|
| Bank loans and overdrafts | 40 968 795 | 136 817 706 |
| Liability for leases | 48 069 815 | 275 125 106 |
| Other non-current liabilities | - | 6 026 |
| Accounts payable to suppliers and accrued costs | 48 751 212 | - |
| Other current liabilities | 5 881 362 | - |
| **Total** | 143 671 184 | 411 948 838 |

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 without the application of IFRS16, on September 30, 2020 and December 31, 2019, was 39% and 26%, respectively, as shown in the table below:

| | set/20 | 30/09/2020 (n/a IFRS16) | 31/12/2019 (n/a IFRS16) | Dec/19 |
|---|---|---|---|---|
| Liability for leases | 323 194 921 | - | - | 339 983 201 |
| Bank loans | 177 786 501 | 187 628 631 | 132 095 130 | 121 162 682 |
| Other financial assets | -10 987 830 | -10 987 830 | -15 626 772 | -15 626 772 |
| Cash and bank deposits | -61 411 905 | -61 411 905 | -38 424 757 | -38 424 757 |
| Net indebtedness | 428 581 688 | 115 228 897 | 78 043 601 | 407 094 354 |
| Equity | 175 363 952 | 183 463 663 | 223 729 770 | 214 228 476 |
| Total capital | 603 945 640 | 298 692 560 | 301 773 371 | 621 322 830 |
| **Gearing ratio** | 71% | 39% | 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 this moment, a contract is signed for the implementation of 80 KFC restaurants in the period between May 2017 and May 2022 and whose implementation program is being revised.

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. <u>OTHER ASSETS AND LIABILITIES</u>

16.1 Other current assets and liabilities

Other current assets and liabilities on 30th September 2020 and 31st December 2019 are broken down as follows:

**Other current assets**

| | Sep/20 | Dec/19 |
|---|---|---|
| Clients | 6 107 769 | 9 398 831 |
| State and other public entities | 4 683 807 | 6 264 376 |
| Other debtors | 18 390 581 | 8 659 243 |
| Advances to suplliers | 219 248 | 226 991 |
| Advances to fixed suppliers | 483 227 | 539 636 |
| Accruals and income | 3 347 440 | 7 600 004 |
| Deferred costs | 2 206 331 | 1 577 647 |
| **Other current assets** | **35 438 403** | **34 266 728** |
| Accumulated impairment losses | 2 240 349 | 2 585 661 |
| | **33 198 054** | **31 681 067** |

**Other current liabilities**

| | Sep/20 | Dec/19 |
|---|---|---|
| Other creditors | 5 881 362 | 4 576 409 |
| State and other public entities | 6 337 517 | 9 143 072 |
| Deferred income | 652 025 | 846 539 |
| | 12 870 904 | 14 566 020 |

16.2 Other non-current assets and liabilities

The breakdown of other non-current assets as at 30 September 2020 and 31 December 2019 is presented as follows:

| | Sep/20 | Dec/19 |
|---|---|---|
| Other non-current assets (1) | 7 902 671 | 8 164 336 |
| Credits granted to third parties | - | 464 334 |
| Impairment balances | - | -390 559 |
| | **7 902 671** | **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 franchisee, witch result in a debt agreement, in July 2020.

17. FINANCIAL EXPENSES AND LOSSES / (INCOME AND GAINS)

Net financing cost on 30th September 2020 and 2019 are broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Interest on rentals liabilities (IFRS16) | 12 571 109 | 13 829 258 |
| Interest paid | 2 512 220 | 2 857 060 |
| Interest earned | -794 991 | -1 067 655 |
| Currency exchange differences | 102 702 | - |
| Other financial costs and income | 972 470 | 957 097 |
| | 15 363 510 | 16 575 760 |

The detail of other financial expenses and losses / (income and gains) is presented as follows:

| | 2020 | 2019 |
|---|---|---|
| Financial instruments - cash flow hedge | -35 754 | 20 |
| Commercial paper programmes charges | 359 582 | 392 341 |
| Discounted value | - | 326 |
| TB's Impairment (IFRS9) | 130 927 | -86 871 |
| Other commissions | 66 000 | 100 375 |
| Other financial cost and gains | 451 715 | 550 906 |
| | 972 470 | 957 097 |

18. INCOME TAX

Income taxes recognized as of September 30, 2020 and 2019 are detailed as follows:

| | Sep/20 | Sep/19 |
|---|---|---|
| Current taxes | 361 369 | 3 414 240 |
| Insufficiency (excess) of income tax | -17 293 | 300 811 |
| Deferred taxes | -10 669 572 | -1 906 002 |
| | -10 325 496 | 1 809 049 |

The effective tax rate on profits was 22% on September 30, 2020 and 15% in the same period of 2019, as follows:

| | set/20 | set/19 |
|---|---|---|
| Profit before tax | -47 211 820 | 12 334 553 |
| Income tax expense | -10 325 496 | 1 809 049 |
| Effective tax rate | 22% | 15% |

On September 2019 the estimated effective tax rate in the period was lower than the nominal rate, mainly due to the tax benefits obtained under the terms of the Investment Tax Code (CFI).

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:

| | Sep/20 | | | Dec/19 | | |
|---|---|---|---|---|---|---|
| | Current | Non current | Total | Current | Non current | Total |
| Treasury bonds | 10 831 866 | 994 256 | 11 826 123 | 13 501 309 | 2 832 828 | 16 334 138 |
| **Sub-total** | 10 831 866 | 994 256 | 11 826 123 | 13 501 309 | 2 832 828 | 16 334 138 |
| Accumulated impairment losses | 702 935 | 135 358 | 838 293 | 584 688 | 122 678 | 707 366 |
| **TOTAL** | 10 128 931 | 858 898 | 10 987 830 | 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 30th September 2020 and 31st December 2019, cash and cash equivalents are broken as follows:

| | Sep/20 | Dec/19 |
|---|---|---|
| Cash | 816 206 | 1 065 534 |
| Bank deposits | 60 595 199 | 37 358 723 |
| Treasury applications | 500 | 500 |
| Cash and bank deposits in the balance sheet | 61 411 905 | 38 424 757 |
| Bank overdrafts | -3 930 399 | -3 739 953 |
| Cash and cash equivalents in the cash flow statement | 57 481 506 | 34 684 804 |

## 21. ACCOUNTS PAYABLE TO SUPPLIERS AND ACCRUED COSTS

On 30th September 2020 and 31st December 2019, accounts payable to suppliers and accrued costs were broken down as follows:

| | Sep/20 | Dec/19 |
|---|---|---|
| Suppliers c/ a | 27 873 485 | 32 908 102 |
| Suppliers - invoices pending approval | 837 744 | 5 548 999 |
| Suppliers of fixed assets c/ a | 4 316 222 | 19 231 301 |
| **Total accounts payable to suppliers** | 33 027 451 | 57 688 402 |
| | **Sep/20** | **Dec/19** |
| Accrued costs - Payable insurance | 192 912 | 109 426 |
| Accrued costs - Payable remunerations | 10 560 466 | 8 201 758 |
| Accrued costs - Performance bonus | - | 1 910 792 |
| Accrued costs - Rent and lease (1) | 1 181 431 | 1 842 319 |
| Accrued costs - External services | 12 162 076 | 6 219 141 |
| Accrued costs - Other | 2 187 342 | 1 844 770 |
| **Total acrrued costs** | 26 284 227 | 20 128 206 |
| **Total accounts payable to suppl.and accrued costs** | 59 311 678 | 77 816 608 |

(1) With the adoption of IFRS 16, accrued costs- rents and lease include only the amount related to variable rents and additions to contracts that are not relevant for the adoption of this standard.

22. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions with related parties in the nine months period ended in September 2020 and in the year 2019 can be presented as follows:

| | Parent entitie | | Jointly controlled entitie | | Associated entitie | | Other entities | |
|---|---|---|---|---|---|---|---|---|
| | 3rd T 2020 | Year 2019 | 3rd T 2020 | Year 2019 | 3rd T 2020 | Year 2019 | 3rd T 2020 | Year 2019 |
| Supplies and services | 620 592 | 1 000 000 | 2 623 109 | 3 767 298 | - | - | - | - |
| Rental lease | - | - | - | - | - | - | 823 858 | 1 520 719 |
| Accounts Payable | - | - | 1 091 176 | 1 069 114 | - | - | - | - |
| Other current assets | - | 25 000 | - | - | - | - | - | - |
| Other non-current assets | - | - | - | - | 300 000 | 300 000 | - | - |

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.

Other entities refer to entities controlled by other holders of significant influence in the parent company of the Ibersol Group. The amounts presented refer to the rents paid in the year and, as a result of the adoption of IFRS16, do not correspond to the amount of lease expenses reflected in the financial statements.

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

23. OTHER INFORMATION

COVID-19

In the third quarter of 2020, the Group's activity continued to be affected by the impact of the Covid-19 pandemic, however there was a gradual resumption of activity in the various segments of the Group, which was nonetheless conditioned to health standards in order to ensure safety and reduce the risk of contagion.

During this period, the resumption of the Group's activity was conditioned by:
- 50% reduction in restaurant capacity
- limitation of the opening hours of shopping centers in the Lisbon Region
- interruptions of air corridors in England and Germany
- absence of an audience at football stadiums and no events

With the spread of the second wave of the Covid-19 pandemic, first in Spain and then in Portugal, the Group again faced limitations in its operations, both in terms of sales channels and opening hours, due to the measures implemented in different countries and in the different regions. At this time, the depth of the containment measures that are still to be enacted by the end of the year is unpredictable.

Currently, the Group is monitoring, together with financial institutions, the evolution of covenants associated with financing, taking into account the assessment to be made on them at the end of the year 2020.

Finally, with regard to short-term treasury cash, it should be noted that the Group, in July, completed the refinancing of 15 million euros, so that on September 30, 2020, the Group has surpluses of cash and other investments amounting to 56 million euros, which correspond to 30% of interest-bearing liabilities. In addition the Group has contracted and unused lines that amount to 40 million euros.

## 24. SUBSEQUENT EVENTS

After September 30, 2020 and to the present date, no relevant subsequent event has occurred that could have a material impact on the interim consolidated condensed financial statements, which has not been disclosed in the notes to the financial statements.