



NOTICE TO BONDHOLDERS

of

FOODCO BONDCO, S.A.U.'s

6¼% Senior Secured Notes due 2026

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Telepizza publishes 2021 results and bondholder report

Madrid, Spain — April 22, 2022, 14 p.m.

Foodco Bondco, S.A.U., a subsidiary of Food Delivery Brands Group, S.A. (together with its subsidiaries, the “Group”), announced today that it has published the Group’s 2021 results and related bondholder report on its website:

<https://www.fooddeliverybrands.com/inversores/informacion-trimestral>

This announcement may constitute a public disclosure of inside information by the Group for the purposes of Article 7 under Regulation (EU) 596/2014 (16 April 2014).

The material contained in this announcement is presented solely for information purposes and is not to be construed as providing investment advice. As such, it has no regard to the specific investment objectives, financial situation or particular needs of any recipient. No representation or warranty, either express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, correctness or reliability of the information contained herein. It should not be regarded by recipients as a substitute for the exercise of their own judgment. Neither the Group, nor any of its directors, officers, employees, affiliates, direct or indirect shareholders, advisors or agents, accepts any liability for any direct, indirect, consequential or other loss or damage suffered by any person as a result of relying on all or any part of this information, and any liability is expressly disclaimed.

This announcement may include projections and other “forward-looking” statements within the meaning of applicable securities laws. You should not place undue reliance on forward-looking statements and we do not undertake publicly to update or revise any forward-looking statement that may be made herein, whether as a result of new information, future events or otherwise.



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FOODCO BONDCO, S.A.U.'S ANNUAL BONDHOLDER REPORT

Financial Year 2021

Period ended December 31, 2021

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Important note regarding this report

This report has been prepared exclusively for use by any holder of the 6¼ Senior Secured Notes due 2026 (the “Notes”) of Foodco Bondco, S.A.U. (the “Issuer”) or any prospective investor, securities analyst, broker-dealer or any market maker in the Notes in accordance with Section 4.02 of the indenture governing the Notes (the “Indenture”). Neither the delivery of nor access to this report implies that any information set forth in this report is correct as at any date after the date of this report. You may not reproduce or distribute this report, in whole or in part, and you may not disclose any of the contents of this report or use any information herein for any purpose other than the evaluation of your investment in, or considering the purchase of, the Notes. You agree to the foregoing by accepting delivery of, or access to, this report.

As permitted by the Indenture, the Issuer has elected to provide in this report consolidated financial information of Tasty Bidco, S.L. in lieu of consolidated financial information of the Issuer.

This report contains certain measures and ratios, including Adjusted EBITDA and *Pro forma* EBITDA, and other measures and ratios that are not required by, or presented in accordance with, International Financial Reporting Standards, as adopted by the European Union (“IFRS”), nor in accordance with any accounting standards. Such measures and ratios may not reflect accurately our performance, our liquidity or our ability to incur debt and should not be considered as a substitute to net profit/(loss) or any other performance measures derived from or in accordance with IFRS, SEC requirements or any other generally accepted accounting principles or as a substitute for net cash from/(used in) operating activities or any other IFRS measure. These measures have not been audited or reviewed by our auditors nor by independent experts and should not be considered in isolation.

Disclosure regarding forward-looking statements

This report contains and refers to certain forward-looking statements with respect to our financial condition, results of operations and business. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among others, statements concerning the potential exposure to market risks and statements expressing management’s expectations, beliefs, plans, objectives, intentions, estimates, forecasts, projections and assumptions. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

Forward-looking statements are typically identified by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “objectives,” “outlook,” “probably,” “project,” “will,” “seek,” “target” and other words of similar meaning in connection with a discussion of future operating or financial performance. All of these forward-looking statements are based on estimates and assumptions made by such entities that, although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed upon any forward-looking statements. There are important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements. In addition, even if our actual results are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to, those described under the caption “*Risk Factors*” below.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements are expressly qualified in their entirety by the cautionary statements referred to in this section and contained elsewhere in this report, including those set forth under “*Risk Factors*.” In light of these risks, our results could differ materially from the forward-looking statements contained in this report.

BUSINESS DESCRIPTION

Overview

Corporate history – The Food Delivery Brands Group

Telepizza was created in 1987 as a family business. Since opening its very first outlet in Madrid in 1988, the Group has gradually ramped up its activities and expanded internationally. In 1992, Telepizza opened its first pizza dough production plant in Guadalajara (Spain) and its first outlets in Poland, Portugal and Chile. Telepizza was listed on Spain's stock exchanges in 1996 via initial public offering. In 2004, Telepizza began its digital expansion in Spain and, four years later, in 2008, Telepizza relaunched its telepizza.es website to improve home delivery.

In 2007, the Company was delisted from the Spanish stock exchange following a delisting tender offer launched by the private equity fund Permira and other partners. Telepizza continued its international expansion, entering into master franchise agreements in Guatemala, El Salvador and the United Arab Emirates in 2009. In 2010, the Group acquired the Colombian pizza chain Jeno's Pizza, the country's biggest pizza chain with 80 outlets, and in the subsequent years the Group opened its first outlet in Peru and entered the airline catering sector. In 2012, Telepizza established its presence in Ecuador. In 2013, Telepizza expanded its network of franchises in Panama, Russia and Bolivia. In 2014, the Group gained a foothold in Angola. After observing a greater reliance on technology among its customer base, in 2015 Telepizza developed "Click & Pizza", an online delivery service, and started creating smartphone applications.

In April 2016, Telepizza was again listed on the Spanish stock market and continued its international expansion, announcing its entry into new markets in EMEA and Latin America, under the Telepizza brand, and Ireland, under the Apache brand. In December 2018, Telepizza signed a strategic agreement with Yum! Brands, making it the largest master franchisee of Pizza Hut in the world.

The alliance with Yum! (Pizza Hut)

In June 2018, the Group signed a strategic partnership and multi-country master franchise agreement between Telepizza Group (now Food Delivery Brands) and Pizza Hut to accelerate their joint growth in Latin America (excluding Brazil), the Caribbean, Spain, Portugal and Switzerland.

Following the approval of the transaction by the European Commission's competition authorities on 3 December 2018, the global alliance and master franchise agreement with Pizza Hut was signed and came into force on 30 December 2018.

Pizza Hut, a division of Yum! Brands, Inc. ("Yum! Brands"), is the world's largest pizzeria company with more than 18,000 restaurants in over 100 countries. As a result of the partnership, on 30 December 2018 Telepizza operated a total of 1,011 Pizza Hut outlets (in addition to its current 1,620 network outlets and including the 38 outlets in Ecuador acquired prior to formalization of the agreement), thus making it the largest Pizza Hut master franchisee in the world by number of outlets and a leading pizza operator worldwide with an ambitious growth plan in the coming years.

On the back of this partnership, the Food Delivery Brands Group will be able to develop and improve its capacity to manage networks of outlets and supply pizza dough and ingredients while fostering its international growth (taking advantage of the synergies existing between both groups).

As part of the agreement, Telepizza granted a purchase option on the bare ownership of the "telepizza" brand, which would be exercisable 3 years after the signature of the agreement.

In May 2021, the subsidiary Food Delivery Brands, S.A. and Yum! Brands Inc. agreed to amend certain terms and targets of their strategic partnership to better tackle the new economic context. Among others, the main changes relate to: (i) openings, extending the ten-year target by one additional year and revising the targets for net new units per market; (ii) slowing down the conversion schedule for Telepizza outlets in Chile, Colombia and rest of the World; (iii) opening penalty amounts, postponing the period and increasing the threshold below which these penalties would apply; and (iv) incentives, revising the terms, deadlines and targets required to obtain them.

As a consequence of this new agreement, on 14 May 2021 the Group and Pizza Hut International LLC agreed on the possibility of an early exercise of the aforementioned purchase option in exchange for an additional payment of USD 3.0 million and, on the same date, Pizza Hut decided to exercise this purchase option on the bare ownership of the "telepizza" brand.

As originally agreed, the Food Delivery Brands Group retains the usufruct of the "telepizza" trademark and its exclusive right to use it.

In Spain and Portugal, the Group will continue to operate under the Telepizza brand along with Pizza Hut, given its leadership and privileged recognition of the brand across these markets. Conversely, the current brands in Latin America ("Telepizza" and "Jeno's Pizza") will be gradually changed so as to operate solely under the "Pizza Hut" brand in the coming years, thereby taking advantage of its greater brand recognition in the region.

For a description of the Yum! Alliance agreement, please see the Offering Memorandum issued in connection with the Notes.

Coronavirus pandemic (Covid-19) and significant events in 2021

On 11 March 2020, the World Health Organization declared the outbreak of coronavirus disease (Covid-19) a pandemic, due to its rapid global spread. Most governments took restrictive measures, which included: isolation, lockdowns, quarantine and restrictions on the free movement of people, closure of public and private premises except those considered essential or relating to healthcare, border closures and drastic reductions in air, sea, rail and road transport.

This situation has had a significant impact on the global economy, due to the disruption or slowing of supply chains and the sizeable increase in economic uncertainty, evidenced by an increase in the volatility of asset prices and exchange rates, as well as cuts in long-term interest rates.

In 2020, the Group drew down a (revolving) credit facility and ICO loans were arranged amounting to Euros 45.0 million (drawn down in 2021) and Euros 10.0 million, respectively, in addition to the existing funding, which helped the Group to address the health emergency and continue with its activities.

The Group also analysed potential options for optimizing its capital structure, in order to adapt it to the new business circumstances and the economic and competitive environment resulting from COVID-19, and to obtain the necessary financial resources to fully implement the business plan devised for the next few years.

As a result of the foregoing, in January 2021 the following arrangements were made:

- The majority shareholder of Tasty Bidco, S.L. increased capital by Euros 16.9 million and undertook, if necessary, to raise an additional Euros 18.7 million.

- On 22 December 2020, Tasty Bidco, S.L.U. and BG Select Investments (Ireland) Limited (minority shareholder of Food Delivery Brands Group, S.A), as lenders, and Food Delivery Brands Group, SA, a subsidiary of Tasty Bidco S.L. as borrower, signed a subordinated loan agreement for an amount of up to Euros 43,3 million, maturing in 2026, divided into two funding tranches: (i) a first tranche amounting to Euros 20.7 million that was disposed in January 2021, of which Euros 17,5 million correspond to the Company and Euros 3.1 million to the minority shareholder and (ii) a second tranche for an amount of up to Euros 22.7 million that Food Delivery Brands Group, SA may dispose of, under certain assumptions linked to the liquidity situation of the Group.
- Bank loans were arranged for an additional amount of Euros 30.0 million, maturing in November 2025.

The current geopolitical and economic uncertainty as result of the conflict in Ukraine is causing a general increase in the prices of raw materials and energy products, as well as disruptions in the supply chains, which could affect the Group's businesses. Although the Group would pass on such increases to the franchisees and the consumers, it could be hampered by the duration and intensity of this environment and the capacity of the markets to absorb it.

During 2022, the Parent's directors will assess the impact of the aforementioned events on the equity and financial position at 31 December 2022 and on the results of operations, including assets impairment, and cash flows for the year then ended.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with our audited consolidated financial statements and the related notes to those audited consolidated financial statements contained elsewhere in this report. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in these forward-looking statements as a result of various factors, including, without limitation, those set forth in “*Forward-Looking Statements*” and “*Risk Factors*.”

Results of operations

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

The following table sets forth consolidated financial information for the years ended December 31, 2020 and 2021.

(in € millions)	For the year ended December 31,					
	Including the effects of IFRS 16			Excluding the effects of IFRS 16		
	2020	2021	% change	2020	2021	% change
Revenues	347.3	391.1	12.6%	355.8	395.2	11.1%
Merchandise and raw materials used	(104.2)	(115.5)	10.8%	(104.2)	(115.5)	10.8%
Personnel expenses	(95.6)	(92.4)	(3.3%)	(95.6)	(92.4)	-3.3%
Amortization and depreciation	(43.7)	(47.3)	8.2%	(26.6)	(31.9)	19.9%
Other expenses	(114.3)	(123.2)	7.8%	(143.4)	(147.3)	2.7%
Impairment of non-current assets	(120.7)	(6.3)	-94.8%	(120.7)	(6.3)	-94.8%
Other profit (losses)	2.2	7.2	227.3%	(1.0)	5.3	-630.0%
Operating profit / (loss)	(129.0)	13.6	-110.5%	(135.7)	7.1	-105.2%
Finance income	1.9	2.4	26.3%	0.4	1.6	300.0%
Finance costs	(33.4)	(38.3)	14.7%	(27.8)	(33.2)	19.4%
Loss before tax from continuing operations	(160.5)	(22.3)	-86.1%	(163.1)	(24.5)	-85.0%
Income tax income/(expense)	3.4	-	-100.0%	4.7	0.2	-95.7%
Loss for the year from continuing operations	(157.1)	(22.3)	-85.8%	(158.4)	(24.3)	-84.7%
Post-tax loss on discontinued operations	(3.3)	(4.8)	45.5%	(3.1)	(4.8)	54.8%
Loss for the year	(160.4)	(27.1)	-83.1%	(161.5)	(29.1)	-82.0%

Revenues

Our revenues increased by 11.1%, to €391.1 million in 2021 from €347.3 million in 2020 due to the economic uptick following the relaxation of pandemic restrictions, especially from the second quarter of 2021 onwards, with significant growth in sales, which was reflected in our own outlets revenues, incremental royalties from franchisees and the sale of goods and other supplies to the store network as a result of the gradual return to normality.

Merchandise and Raw Materials Used

Merchandise and raw materials used increased by 10.8%, to €115.5 million in 2021 from €104.2 million in 2020, primarily resulting from the increased sales in equity and franchised stores, as well as the increase in the price of some raw materials, particularly wheat and packaging.

Personnel Expenses

Personnel expenses decreased by 3.3%, to €92.4 million in 2021 from €95.6 million in 2020, primarily as a result of the reduction in the senior management structure and the transfer of own stores to franchise.

Amortization and Depreciation

Consolidated amortization and depreciation increased to €47.3 million in 2021 from €43.7 million in 2020, primarily as a result of the depreciation of the right of use of the Telepizza Brand and the higher investments due to the expansion of the network and other industrial and digital developments.

Other Expenses

Other expenses increased by 7.8%, to €123.2 million in 2021 from €114.3 million in 2020, primarily as a result of the increase of the sales and stores being reopened due to the relaxation of the pandemic restrictions.

Impairment of Non-Current Assets

Impairment of non-current assets decreased to €6.3 million in 2021 from €120.7 million in 2020. The goodwill impairment loss recognized in 2020 related to the impact of the Covid-19 pandemic on the global economy, and the foreseeable effects of the pandemic on the Group's cash flow forecasts for the next few years. In 2021, the Group updated this analysis resulting in a minor adjustment as the evolution of the business did not diverge materially in relation with the plan.

Other Profits

Our other profits increased to €7.2 million in 2021 from €2.2 million in 2020, primarily due to the profit for the sale of the Telepizza's brand bare ownership for €6.3 million in 2021.

Operating Profit/(Loss)

Our operating profit/(loss) increased to €13.6 million in 2021 from a loss of €129.0 million in 2020. This was primarily due to the improvement of the business activities and the decrease of the impairment of non-current assets recognized in 2020 and detailed above.

Finance Income

Our finance income increased to €2.4 million in 2021 from €1.9 million in 2020, primarily due to higher interest income accrued in 2021.

Finance Costs

Finance costs increased to €38.3 million in 2021 from €33.4 million in 2020, primarily due to the €30m new ICO loan borrowed in January 2021, the new subordinated loan and the increase in loss for exchanges rates.

Income Tax Income/(Expense)

Our income tax income decreased to €0.0 million in 2021 from an income tax expense of €3.4 million in 2020, primarily due to the recognizing in 2021 of tax credits for loss carryforwards and deductions available for offset.

Post-Tax Loss on Discontinued Operations

Our post-tax loss on discontinued operations increased to a loss of €4.8 million in 2021 from a loss of €3.3 million in 2020, primarily due to the losses for the sale of our Polish business which were considered as discontinued operations.

Profit/(Loss) for the Year

Loss for the year decreased to a loss of €27.1 million in 2021 from a loss of €160.4 million in 2020, primarily due to the improvement of the business activities and the decrease of the impairment of non-current assets recognized in 2020 and detailed above.

Results and Other Information by Segment

For the year ended December 31, 2020

(in € millions)

	Spain	Other Europe	Latin America	Total
Own outlet sales	49.9	33.0	85.0	167.9
Factory sales to franchisees	88.2	14.1	5.7	108.0
Royalties	47.6	9.6	4.1	61.3
Revenue from franchising activity	4.0	-	0.0	4.0
Other services rendered to franchisees	0.7	0.7	2.3	3.7
Revenue from initial fees	2.4	0.1	0.0	2.5
Total revenues	192.8	57.5	97.1	347.4
Amortization	(24.3)	(3.3)	(16.1)	(43.7)
Impairment/(Reversal) of non-current assets	(90.2)	(14.6)	(15.9)	(120.7)
Other net gains/(losses)	7.2	(0.3)	(4.7)	2.2
Operating profit/(loss)	(84.8)	(5.9)	(38.3)	(129.0)

For the year ended December 31, 2021

(in € millions)

	Spain	Other Europe	Latin America	Total
Outlet sales to customers	38.6	30.3	114.7	183.6
Factory sales to franchisees and other sales	98.4	15.2	6.2	119.8
Royalties	54.8	10.8	4.7	70.3
Revenue from franchising activity	2.3	-	0.5	2.8
Other services rendered to franchisees	4.3	1.5	2.2	8
Income from incentives	2.9	0.7	0.4	4
Revenue from initial fees	2.1	-	0.5	2.6
Total revenues	203.4	58.5	129.2	391.1
Amortization	(27.5)	(3)	(16.8)	(47.3)
Impairment/(Reversal) of non-current assets	(1.8)	(1.4)	(3.1)	(6.3)
Other net gains/(losses)	4.5	0.5	2.2	7.2
Operating profit/(loss)	17.8	9.6	(13.8)	13.6

Total Revenues by Segment

Spain

Total revenues from our Spain segment increased to €203.4 million in 2021 from €192.8 million in 2020, primarily due to the relaxation of the pandemic restrictions, which directly impacted in the recovery of the sales activity, as well as the effects of the commercial actions deployed in the period.

Rest of Europe

Total revenues from our Rest of Europe segment increased to €58.5 million in 2021 from €57.5 million in 2020, primarily due to the relaxation of the pandemic restrictions and the results of a successful commercial policy.

Latin America

Total revenues from our Latin America segment increased to €129.2 million in 2020 from €97.1 million in 2020, primarily due to relaxation of pandemic restrictions with a clear recovery in activity in all countries, especially from the second quarter onwards, and the network expansion of the Pizza Hut business in Mexico.

Operating Profit by Segment

Spain

Operating profit from our Spain segment increased to a profit of €17.8 million in 2021 from a loss of €84.7 million in 2020 due to increase in revenues resulting from the relaxation of restrictions and the reduction of the impairment of non-current assets vs. 2020.

Rest of Europe

Operating profit from our Rest of Europe segment increased to a profit of €9.6 million in 2021 from a loss of €5.9 million in 2020, as a result of the decrease of the impairment of non-current assets vs. 2020.

Latin America

Operating losses from our Latin America segment decreased to a loss of €13.8 million in 2021 from a loss of €38.3 million in 2020, as a result of the increase in revenues due to the relaxation of pandemic restrictions and the reduction of the impairment of non-current assets vs. 2020.

Adjusted EBITDA

The following table is a reconciliation of total revenue to Adjusted EBITDA for the periods indicated:

(in € millions)	For the year ended December 31,					
	Including the effects of IFRS 16			Excluding the effects of IFRS 16		
	2020	2021	% change	2020	2021	% change
Own outlet sales	167.9	183.6	9.4%	167.9	183.6	9.4%
Supply, chain, royalties, marketing and other revenue	179.5	205.7	15.6%	187.9	209.8	11.7%
Total Revenue	347.4	389.3	12.6%	355.8	393.4	10.6%
Product cost	(103.2)	(115.5)	11.9%	(103.2)	(115.5)	11.9%
Other operating expenses including royalties and fees paid to Yum! ⁽¹⁾	(193.9)	(204.5)	5.5%	(223.0)	(228.6)	2.5%
Adjusted EBITDA⁽²⁾	50.2	69.3	37.9%	29.6	49.3	66.4%

(1) Including personnel costs, leases, advertising, logistics and other expenses.

(2) This measure is not a measurement of financial performance under IFRS and should not be considered as a substitute to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS.

For further details, please see our Director's Report included in the 2021 Financial Statements.

Liquidity and Capital Resources

Overview

Our principal cash requirements consist of the following:

- capital expenditures related to investments in our operations and maintenance and upgrades of our existing facilities;
- servicing our indebtedness;
- paying taxes; and
- working capital requirements, including buybacks of our stores.

Our principal sources of liquidity are expected to be cash flows from our operating activities, capital contributions and shareholder contributions, and short-term and long-term loans and financing, including drawings under our revolving credit facility (the “Revolving Credit Facility”), which provides for borrowings of up to €45 million. The availability of the Revolving Credit Facility is subject to certain conditions. During 2021, our Revolving Credit Facility was fully drawn, and the Group also arranged a new loan pursuant to ICO guarantees.

On 22 December 2020, Food Delivery Brands, S.A., as the borrower, and Banco Santander, S.A. and Instituto de Crédito Oficial E.P.E., as lenders, signed a framework agreement to grant bilateral loans, and signed the contracts for said loans amounting to Euros 30 million and Euro 10 million, respectively, to be used to tackle working capital requirements arising from the COVID-19 health crisis and to repay the Euros 10 million relating to the ICO Santander loan mentioned above in its entirety. These bilateral loans accrue interest at an annual rate of 3.75% and their final maturity date is 1 November 2025.

The arrangement of this framework agreement and of the bilateral loans was subject to prior or simultaneous compliance with conditions which, most notably, include the main shareholder of Food Delivery Brands Group, S.A. granting subordinated loans. All suspensive conditions included in the framework agreement were fulfilled and on 2 February 2021 the loans entered into force.

On 22 December 2020, Tasty Bidco, S.L.U. and BG Select Investments (Ireland) Limited (minority shareholder of Food Delivery Brands Group, S.A), as lenders, and Food Delivery Brands Group, SA, a subsidiary of Tasty Bidco S.L. as borrower, signed a subordinated loan agreement for an amount of up to Euros 43.3 million, maturing in 2026, divided into two funding tranches: (i) a first tranche amounting to Euros 20.6 million that was disposed in January 2021, of which Euros 17.5 million correspond to the Company and Euros 3,1 million to the minority shareholder and (ii) a second tranche for an amount of up to Euros 22,7 million that Food Delivery Brands Group, SA may dispose of, under certain assumptions linked to the liquidity situation of the Group.

Disbursement of these loans was subject to the ICO’s approval of the aforementioned bilateral loans. The funds for the first tranche were released on 29 January 2021, the loans became effective and the net proceeds therefrom were contributed to the Group.

Our ability to generate operating cash flows depends on our operating performance, which in turn depends to some extent on general economic, financial, industry, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in “*Risk Factors*.” The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, legal prohibitions on such payments or otherwise distributing funds to us, including for the purpose of servicing debt. Losses or other events could further reduce the net equity and distributable reserves of our subsidiaries.

We anticipate that we will be highly leveraged for the foreseeable future and our ability to generate future financing cash flows will be limited by the terms defined by the Indenture and the Revolving Credit Facility. For a description of our material commitments, contingencies and debt instruments, please see our 2020 Financial Statements.

We or our affiliates may from time to time seek to retire, repurchase or sell our outstanding debt through cash purchases, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or sales will depend on market conditions, our liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material.

Cash Flows

The following table sets forth our consolidated statements of cash flows for the years presented, including cash from discontinued operations:

(in € millions)	For the year ended December 31	
	2020	2021
Net cash from operating activities	(6.6)	16.1
Net cash used in investing activities	(25.1)	(31.3)
Net cash from (used in) financing activities	29.4	28.3
Net increase (decrease) in cash and cash equivalents	(2.3)	13.1

Cash Flows Provided by Operating Activities

Our cash flows from operating activities increased to €16.1 million in 2020 from €6.6 million in 2020 due to the increase in sales and profits and an efficient management of the working capital.

Cash Flows (Used in) Investing Activities

Our cash flows used in investing activities increased to €31.3 million in 2021 from €25.1 million in 2020. This increase was primarily due to the higher investment in store openings, digital developments and industrial infrastructure compared last year.

Cash Flows Provided by Financing Activities

Our cash flows used in financing activities decreased to €28.3 million in 2021 from €29.4 million in 2020, as result of the new additional financing.

Working Capital

The following table shows our working capital as of December 31, 2020 and 2021:

(in € millions)	For the year ended December 31	
	2020	2021
Current assets ⁽¹⁾	118.9	135.0
Current liabilities	142.1	142.7
Working capital ⁽²⁾	(23.2)	(7.7)

(1) Current assets include cash and cash equivalents of €45.1 million and €58.2 million in 2020 and 2021, respectively.

(2) This measure is not a measure of financial performance under IFRS and should not be considered as a substitute for other indicators of our operating performance, cash flows or any other measure of performance and liquidity derived in accordance with IFRS.

Working capital increased to -€7.7 million in 2021 from -€23.2 million in 2020.

Capital Expenditures

We generally require capital expenditures for the maintenance of our existing store portfolio to remain competitive and maintain the value of our brand. Our capital expenditures are mainly related to the opening of new stores and the refurbishment and, in some cases, the relocation of our existing stores. In 2021, despite of the COVID-19 restrictions, we have continued investing in the expansion and upgrading of the existing network as well as in information services and new developments, digital services and factories' efficiency and expansion.

The following table shows our recurring capital expenditures for the periods presented for the maintenance of existing assets and for investment in expanded capacity, excluding transaction related capital expenditures:

(in € millions)	For the year ended December 31	
	2020	2021
Openings	3.2	10.2
Relocations and conversions	3.8	2.7
Buybacks	-	1.2
Maintenance	4.6	6.0
Total Stores	11.6	20.1
IT + Digital	6.7	9.0
Factory	5.7	11.2
Others	0.9	0.4
Total Group excluding M&A	24.9⁽¹⁾	40.6⁽²⁾

(1) Does not include €6.5 million in capital expenditures in 2020 related to acquisitions of Pizza Hut operations.

(2) Does not include €2.2 million in capital expenditures in 2020 related to acquisitions of Pizza Hut operations.

As part of our general strategy and in connection with the Yum! Alliance, we intend to undertake capital expenditures during the next years to open new stores and convert Telepizza stores to Pizza Hut, particularly in Latin America, as well as to invest in our dough factories, although the pace of the expansion might be adapted to the evolution of the economy and other market factors to ensure an optimal return for our investments.

We expect to finance our future capital expenditures through either cash from operations, equity contributions and, if necessary, from bank loans or issuances of debt in the capital markets.

Off-Balance Sheet Arrangements

With the exception of bank and other guarantees provided in the ordinary course of business amounting to €2.8 million and €3.5 million as of December 31, 2021 and 2020, respectively, we do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as special purpose entities, which include special purposes entities and other structured finance entities.

Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of business, we are exposed to a variety of financial risks, including interest rate risk, currency risk, liquidity risk and credit risk. Our global risk management focuses on uncertainty in the financial markets and aims to minimize potential adverse effect on our profits.

Risks are managed by our finance department in accordance with policies approved by our board of directors. The finance department identifies, evaluates and mitigates financial risks in close collaboration with our operational units. Our Board of Directors issues global risk management policies, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivative instruments and investments of cash surpluses.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relate primarily to our Revolving Credit Facility, which bears interest at a variable rate (interest on the ICO loan and the Notes accrue at a fixed rate).

While we may enter into hedging agreements in the future, we may also elect not to do so or the terms on which we hedge may not be satisfactory or may fail to adequately protect us from changes in market interest rates.

Foreign Currency Risk

Since we operate internationally, we are exposed to variations in exchange rates for commercial transactions in foreign currency, intragroup payables in foreign currency and net assets deriving from net investments in foreign operations with functional currencies other than the euro. There are no significant group balances or commercial transactions denominated in foreign currencies other than the functional currencies of each country where we operate.

We currently do not hedge our foreign currency risk. We expect that possible fluctuations in the exchange rates of the Chilean peso, the Colombian peso and Mexican peso will not have a significant impact on our consolidated equity.

The Notes and the Revolving Credit Facility are denominated in euro, and changes in foreign exchange rates will therefore give rise to foreign exchange exposure. While we may enter into hedging agreements in the future, we may also elect not to do so or the terms on which we hedge may not be satisfactory or may fail to adequately protect us from changes in foreign exchange rates.

At 31 December 2021, had the Euro weakened/strengthened by 10% against the Chilean Peso, the Colombian Peso and the Mexican Peso with the other variables remaining constant, consolidated post-tax loss would have been Euros 1.9 million lower or higher (Euros 1.9 million in 2020), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. Translation differences recognised under “Other comprehensive income” would have increased by Euros 3.2 million mainly due to translation differences on foreign operations.

Liquidity Risk

Liquidity risk is the risk of not being able to fulfill present or future obligations if we do not have sufficient funds available to meet such obligations at the time they become due. Liquidity risk arises mostly in relation to cash flows generated and used in working capital and from financing activities, particularly by servicing our debt, in terms of both interest and capital, and our payment obligations relating to our ordinary business activities. We manage liquidity risk by continuously monitoring our expected cash flows and working capital levels and ensuring that adequate borrowing facilities are maintained.

The Group’s liquidity policy consists of arranging credit facilities and holding marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling it to settle market positions relating to short-term investments immediately, thus ensuring that this financial risk is minimized.

Credit Risk

Credit risk is the risk of financial loss resulting from counterparty failure to repay or service debt owed to us according to the contractual terms or obligations. We are not exposed to significant credit risk since our credit risk is not significantly concentrated, our cash placements and derivative contracts are with highly solvent entities, the average collection period for trade receivables is very short, and customers have adequate credit records, which significantly reduces the likelihood of bad debts.

Critical Accounting Policies

The preparation of our consolidated annual accounts and related disclosures in accordance with IFRS-EU requires our management to make estimates, judgments and assumptions that affect the amounts reported in our consolidated annual accounts and accompanying notes.

Our management must judge and develop estimates for the carrying values of assets and liabilities which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results could differ from those estimates.

We periodically review these estimates and underlying assumptions. We recognize the effects of revisions to accounting estimates in the period that estimates are revised if the revision affects only that period, or also in later periods if the revision affects both current and future periods.

A summary of the items requiring a greater degree of judgment or which are more complex, or where the assumptions and estimates are significant to the preparation of the audited financial statements, is as follows:

- We determine the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets.
- Calculation of the recoverable amount: We test goodwill and the brands for impairment on an annual basis. Calculation of the recoverable amount requires us to use estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. We generally use discounting cash flow methods to calculate these values, based on projections of the budgets we approve. The cash flows take into consideration past experience and represent our best estimate of future market performance. The key assumptions employed when determining fair value less costs to sell include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment.
- Valuation allowances for bad debts require a high degree of judgment by us and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, including an analysis of expected loss, and vice versa.
- We capitalize the tax credits we consider likely to be offset in the foreseeable future based on our business plan for each tax jurisdiction in which we operate.
- The effects of the Yum! Alliance in our consolidated annual accounts are considered critical due to the different accounting assumptions and impacts associated with the agreement, as it substantially modifies the prior business model.
- We are subject to regulatory and legal processes and inspections by government bodies in various jurisdictions. We use significant judgment when determining the provisions for these legal processes.

Although estimates are calculated by our directors based on the best information available at the closing date of the consolidated annual accounts, future events may require changes to these estimates in subsequent years. Any effect on the financial statements of adjustments to be made in subsequent years would be recognized prospectively.

For a description of these critical accounting policies and estimates, see our 2021 Financial Statements.

RISK FACTORS

The following are certain risk factors that could affect our business, financial condition and results of operations. You should carefully consider the risks described below as well as the other information contained in the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*.” Additional risks and uncertainties that are not presently known to us or are currently deemed to be immaterial also may materially adversely affect our business, financial condition, and results of operations in the future. If any of the risks actually occur, the trading price of our securities may be negatively affected and as a result you may lose all or part of your original investment. The risk factors described below, as well as any additional risks and uncertainties, may cause the forward-looking statements described under the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” to differ from our actual results.

- our inability to integrate Telepizza and Pizza Hut effectively and realize the potential and anticipated benefits from the alliance with Yum! Brands;
- the risk of harmful economic and political conditions;
- the impact of competition in the quick service restaurants market, and in particular the pizza delivery sector;
- the risk of any outbreak of severe communicable diseases, including new strains of coronavirus (COVID-19);
- the current geopolitical and economic uncertainty as result of the conflict in Ukraine, causing a general increase in the prices of raw materials and energy products, as well as disruptions in the supply chains;
- the effect of increasing sales or profit taxes and other changes in the tax regulations;
- the impact of impairments to goodwill and other intangible assets;
- the loss of certain clients or franchisees and master franchisees;
- exposure to price and volume fluctuations under certain of our supply contracts;
- a potential loss of our rights to use Telepizza trademarks in certain jurisdiction if we materially breach our obligations under the Yum! Alliance;
- failure to successfully implement our growth strategy;
- unsuccessful marketing initiatives and advertising campaigns;
- failure of our franchises and master franchises to develop their business;
- our reliance on capital investments;
- our exposure to additional risks through our international operations;
- failure to comply with anti-bribery or anti-corruption laws;
- failure to deliver our products to our customers;

- the risk of labor shortages or increased labor costs;
- our inability to attract and retain qualified employees;
- our inability to protect our intellectual property or the value of our brand;
- our reliance on the strength and reputation of both the Telepizza and Pizza Hut brands;
- the risk of the termination of our leasing contracts;
- the risk of foodborne illness;
- the departure of key executive management and senior management members;
- disruption of our information technology systems and exposure to security breaches;
- our failure to comply with applicable data protection laws and regulations;
- failure to successfully integrate acquired businesses;
- insufficient level of insurance;
- unanticipated fluctuations in exchange rates;
- the impact of changes in laws and regulations;
- the impact of Spanish tax legislation;
- the impact of changes in tax laws or our tax position;
- the risk that the Issuer and the guarantors of the Notes are members of a tax consolidated group and are exposed to additional tax liabilities;
- the risks from legal and arbitration proceedings;
- the risk associated with unforeseen events, such as terrorist attacks, natural disasters, war conflicts or catastrophic events; and
- other risks associated with our financing, the Notes and our structure.

The risks mentioned above are not exhaustive. Moreover, we operate in a highly competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors to our business.

MANAGEMENT

Foodco Bondco S.A.U. (the “Issuer”)

The Post-Settlement Merger between Tasty Bondco 1, S.A.U. and Foodco Bondco, S.L.U. — which was identified as “Tasty Bondco 2, S.A.” in the Indenture and the Offering Memorandum — was approved on December 12, 2019, by the relevant corporate bodies of the merging entities and, on February 25, 2020, the registration was completed with the Commercial Registry of Madrid. Accordingly, Foodco Bondco S.A.U. has assumed all obligations of Tasty Bondco 1, S.A.U. as Issuer in respect of the Notes, the Indenture, the Intercreditor Agreement and any relevant Security Documents in accordance with Spanish law on corporate reorganizations (*Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles*) and the provisions of the Indenture.

Foodco Bondco S.A.U. is a public limited liability company (*sociedad anónima unipersonal*) incorporated under the laws of Spain and registered with the Commercial Registry of Madrid with registration number (*Número de Identificación Fiscal*) A88398532. Its registered business address is Calle Isla Graciosa 7, San Sebastián de los Reyes, 28073, Madrid, Spain.

As of the date of this report, the sole administrator of Foodco Bondco S.A.U. is Food Delivery Brands Group, S.A. (Jacobo Caller Celestino is its legal representative).

Tasty Bidco, S.L.

Tasty Bidco, S.L. (“Telepizza”) is a limited liability company (*sociedad limitada*) incorporated under the laws of Spain and registered with the Commercial Registry of Madrid with registration number B88208848. Tasty Bidco’s registered business address is Avenida Isla Graciosa, 7, Parque Empresarial La Marina, 28703 San Sebastián de los Reyes, Madrid, Spain.

The following table sets forth the names and positions of the key members of the executive management team at Telepizza as of the date of this report:

Name	Position
Jacobo Caller	Chief Executive Officer and Chairman
Jose Luis Renedo	Chief Financial Officer
Laura García	Chief Growth Officer and Master Franchise
Jesus Torres	Chief Human Resource Officer
Ignacio Martín	Chief Supply Chain Officer
Jesus Cubero	Chief Marketing Officer
Javier Mallo	Chief Information Officer
Miguel Angel Fernandez	Chief Business Intelligence Officer
Ana Diogo	Managing Director Iberia
David Vera	Managing Director Chile
Jesús Hernández Gisbert	Managing Director Andina Region
Juan Luis Bueno	Managing Director Mexico

Tasty Bidco S.L. is managed by a board of directors comprised of 9 members. Set forth below are the names and positions of the current members of the board of directors as of the date of this report:

Name	Position
Jacobo Caller Celestino	Chief Executive Officer
Gabriele Questa	Director
Miguel Carlos Abelló as representative of Nueva Compañía de Inversiones, S.A.	Director
Stella Esther Rachel Amar-Cohen	Director
Nicolás Jimenez-Ugarte as representative of Artá Capital, S.G.E.I.C., S.A	Director
Óscar Salazar Gaitán	Director
Jorge Lluch Pauner	Director
Victor Culebras Yábar	Director
Manuel Echenique	Secretary non-director of the Board



Auditor's Report on Tasty Bidco, S.L. and subsidiaries

(Together with the consolidated annual accounts
and consolidated directors' report of Tasty Bidco,
S.L. and subsidiaries for the year ended 31
December 2021)



KPMG Auditores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

To the Shareholders of Tasty Bidco, S.L.

Opinion

We have audited the consolidated annual accounts of Tasty Bidco, S.L. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Recoverable amount of non-current non-financial assets subject to amortisation and/or impairment (see notes 4 (h), 8, 9 and 10 to the consolidated annual accounts)

At 31 December 2021 the Group has recognised property plant and equipment amounting to Euros 76,552 thousand, goodwill of Euros 238,840 thousand, trademarks of Euros 251,884 thousand, other intangible assets totalling Euros 181,904 thousand and right-of-use assets for an amount of Euros 58,555 thousand generated on the application of IFRS 16.

At each reporting date the Group estimates the recoverable amount of goodwill and intangible assets with indefinite useful lives and, when there are indications of impairment, that of property, plant and equipment, other intangible assets and right-of-use assets. To estimate the recoverable amount, the Group used valuation techniques that require the Directors to exercise judgement and make assumptions and estimates.

There is a risk that the carrying amount of the assets allocated to the cash-generating units (CGUs) either individually or grouped, depending on each case, may exceed the recoverable amount in stores, factories or countries where there could be a temporary decline in the performance of the businesses.

Due to the significance of the carrying amounts of these assets, and the high level of judgement and uncertainty associated with the assumptions and estimates used by the Directors in their analysis, this has been considered a relevant aspect of the audit.

Our audit procedures included the following:

- Evaluating the design and implementation of the controls associated with the process of valuing these assets.
- Analysing the indications of impairment of the assets allocated to stores, factories or countries, as well as the other assets with finite useful lives identified by the Directors and Group management.
- Assessing the reasonableness of the methodology used to calculate the recoverable amount and the main assumptions considered, with the involvement of our valuation specialists.
- Contrasting the consistency of the growth estimates used as the basis for calculating the recoverable amount with the budgets approved by the Board.
- Comparing, for a sample of stores, the cash flow forecasts estimated in prior years with the actual cash flows obtained.
- Analysing the sensitivity of certain assumptions to changes that are considered reasonable.

- Evaluating whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Recoverability of deferred tax assets (see notes 4 (g), 15 and 26 to the consolidated annual accounts)

At 31 December 2021 the Group has recognised deferred tax assets amounting to Euros 32,021 thousand mainly in respect of tax losses available for offset by the Spanish tax group.

The recognition of deferred tax assets entails a high level of judgement by the Directors in assessing the amount, probability and sufficiency of future taxable profits against which they may be offset, future reversals of existing taxable temporary differences and any tax planning opportunities considered by the Group.

Due to the uncertainty associated with the recovery of the amounts recognised as deferred tax assets and the expected recovery period, we consider this to be a relevant aspect of the audit.

Our audit procedures included the following:

- Evaluating the design and implementation of the controls associated with the process of estimating the recoverability of deferred tax assets.
- Assessing the reasonableness of the criteria and the main assumptions considered by the Group in estimating the future taxable profits necessary for offset.
- Bringing in our tax specialists to evaluate the tax planning strategies and to assess the appropriateness of the criteria adopted by the Group in cases where the tax treatment may be uncertain or complex.
- Contrasting the profit or loss forecasts used as a basis for recognising deferred tax assets with the actual results obtained in the current year, and evaluating the reasonableness of the time period in which the Group expects to offset these assets.
- Assessing whether the disclosures in the consolidated annual accounts in relation to the aforementioned deferred tax assets meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2021 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.



Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the consolidated non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2021, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with the Directors of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated to the Directors of Tasty Bidco, S.L., we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the most significant risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

Carlos Peregrina García

On the Spanish Official Register of Auditors ("ROAC") with No. 15,765

20 April 2022



KPMG AUDITORES, S.L.

2022 Núm.01/22/07469

Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Financial Position
31 December 2021

(Expressed in thousands of Euros)

Assets	2021	2020
Property, plant and equipment (note 8)	76,552	60,699
Right-of-use assets (note 9)	58,555	60,591
Goodwill (note 10)	238,840	240,254
Other intangible assets (note 10)	433,788	453,424
Net investment in subleases (note 9)	12,668	33,071
Deferred tax assets (note 15)	32,021	29,713
Non-current financial assets (note 11)	16,378	15,655
Total non-current assets	868,802	893,407
Inventories (note 12)	15,261	14,861
Trade and other receivables (note 13)	55,024	43,035
Net investment in subleases (note 9)	3,993	8,168
Other current financial assets	637	5,640
Other current assets	1,954	2,104
Cash and cash equivalents (note 14)	58,162	45,134
Subtotal current assets	135,031	118,942
Non-current assets held for sale (note 6)	-	13,949
Total current assets	135,031	132,891
Total assets	1,003,833	1,026,298

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Financial Position
31 December 2021

(Expressed in thousands of Euros)

Equity and Liabilities	2021	2020
Share capital (note 16)	2,864	2,662
Share premium	268,853	248,942
Retained earnings	(194,791)	(169,825)
Shareholder contributions	165,108	165,108
Translation differences	(7,752)	(5,940)
Equity attributable to equity holders of the Parent company and total equity (note 16)	234,282	240,947
Non-controlling interests	46,055	48,149
Equity	280,337	289,096
Debentures and bonds (note 18(a))	322,788	320,467
Loans and borrowings (note 18 (b))	87,239	55,000
Other financial liabilities (note 17)	2,827	6,790
Lease liabilities (note 9)	66,588	89,813
Deferred tax liabilities (note 15)	97,138	102,166
Provisions (note 19)	1,615	1,569
Other non-current liabilities (note 1)	2,585	13,478
Total non-current liabilities	580,780	589,283
Debentures and bonds (note 18(a))	9,611	9,611
Loans and borrowings (note 18 (b))	10,723	6,319
Other financial liabilities (note 17)	166	1,883
Lease liabilities (note 9)	22,081	28,930
Trade and other payables (note 20)	95,925	90,238
Provisions (note 19)	114	3,004
Other current liabilities	4,096	2,147
Subtotal current liabilities	142,716	142,132
Liabilities directly associated with non-current assets held for sale (note 6)	-	5,787
Total current liabilities	142,716	147,919
Total equity and liabilities	1,003,833	1,026,298

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Income Statement
for the year ended
31 December 2021

(Expressed in thousands of Euros)

	2021	2020
Revenues (note 21)	391,079	347,357
Merchandise and raw materials used (note 12)	(115,517)	(104,220)
Personnel expenses (note 22)	(92,377)	(95,620)
Amortisation and depreciation expenses (notes 8, 9 and 10)	(47,313)	(43,725)
Other expenses (note 23)	(123,214)	(114,299)
Impairment of non-current assets (note 24)	(6,286)	(120,695)
Other profit/(loss) (note 25)	7,243	2,226
Profit/(Loss) from operating activities	<u>13,615</u>	<u>(128,976)</u>
Finance income	2,438	2,640
Finance expenses (note 18)	(36,514)	(33,367)
Translation differences	<u>(1,857)</u>	<u>(762)</u>
Loss before tax of continuing operations	(22,318)	(160,465)
Income tax revenue (note 26)	<u>2</u>	<u>3,417</u>
Loss for the year from continuing operations	(22,316)	(157,048)
Post-tax loss of discontinued operations (note 6)	<u>(4,744)</u>	<u>(3,334)</u>
Loss for the year	(27,060)	(160,382)
Profit/(loss) attributable to non-controlling interests	<u>(2,094)</u>	<u>(23,550)</u>
Loss for the year attributable to equity holders of the Parent Company		
Continuing operations	(20,968)	(133,498)
Discontinued operations	<u>(3,998)</u>	<u>(3,334)</u>
	<u>(24,966)</u>	<u>(136,832)</u>

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
for the year ended
31 December 2021

(Expressed in thousands of Euros)

	<u>2021</u>	<u>2020</u>
Loss for the year	(27,060)	(160,382)
Other comprehensive income:		
Items that will be reclassified to profit/(loss)		
Translation differences of financial statements of foreign operations	<u>(1,812)</u>	<u>(4,749)</u>
Total comprehensive income for the year	<u>(28,872)</u>	<u>(165,131)</u>
Profit/(loss) attributable to non-controlling interests	<u>2,094</u>	<u>23,550</u>
Total comprehensive profit/(loss) attributable to equity holders of the Parent Company	<u>(26,778)</u>	<u>(141,581)</u>

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
for the year ended
31 December 2021

(Expressed in thousands of Euros)

	Share capital	Share premium	Cumulative profit/ (Losses) accumulated	Shareholder contributions	Translation differences	Non- controlling interests	Total equity
Balance at 31/12/2019	<u>2,662</u>	<u>248,942</u>	<u>(31,049)</u>	<u>165,108</u>	<u>(1,191)</u>	<u>72,062</u>	<u>456,534</u>
Prior years' corrections	<u>-</u>	<u>-</u>	<u>(1,944)</u>	<u>-</u>	<u>-</u>	<u>(363)</u>	<u>(2,307)</u>
Balance at 01/01/2020	<u>2,662</u>	<u>248,942</u>	<u>(32,993)</u>	<u>165,108</u>	<u>(1,191)</u>	<u>71,699</u>	<u>454,227</u>
Profit/(loss) for the year	<u>-</u>	<u>-</u>	<u>(136,832)</u>	<u>-</u>	<u>(4,749)</u>	<u>(23,550)</u>	<u>(165,131)</u>
Balance at 31/12/2020	<u>2,662</u>	<u>248,942</u>	<u>(169,825)</u>	<u>165,108</u>	<u>(5,940)</u>	<u>48,149</u>	<u>289,096</u>
Transactions with shareholders and owners							
Capital increase on 29 January 2021	170	16,804	-	-	-	-	16,974
Capital increase on 28 December 2021	32	3,107	-	-	-	-	3,139
Profit/(loss) for the year	<u>-</u>	<u>-</u>	<u>(24,966)</u>	<u>-</u>	<u>(1,812)</u>	<u>(2,094)</u>	<u>(28,872)</u>
Balance at 31/12/2021	<u>2,864</u>	<u>268,853</u>	<u>(194,791)</u>	<u>165,108</u>	<u>(7,752)</u>	<u>46,055</u>	<u>280,337</u>

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
for the year ended
31 December 2021

(Expressed in thousands of Euros)

	2021	2020
Cash flows from operating activities		
Post-tax profit/(loss) of discontinued operations	(4,739)	(3,429)
Profit/(loss) for the year from continuing operations	(22,318)	(160,465)
<i>Adjustments for:</i>		
Amortisation and depreciation (notes 8, 9 and 10)	47,313	43,725
Finance income	(2,438)	(2,640)
Finance expenses	36,514	33,367
Translation differences	1,857	762
Impairment of non-current assets	6,286	120,695
Losses on disposal of property, plant and equipment and other losses	(7,243)	(2,226)
Impairment of inventories	-	647
Allocation of provisions	-	4,213
Impairment of trade receivables (note 13)	359	198
	55,591	34,847
Change in working capital		
(Increase)/decrease in inventories (note 12)	(400)	(2,411)
(Increase)/decrease in trade and other receivables	(12,455)	18,680
(Increase)/decrease in other current and non-current assets	4,430	5,105
Increase/(decrease) in trade and other payables	5,687	(20,390)
Increase/(decrease) in provisions	(2,844)	(470)
(Increase)/decrease in other current and non-current liabilities	(4,524)	(4,625)
Cash flows from discontinued operations	-	(1,635)
Cash from operations	(10,106)	(5,746)
Interest received	2,438	2,640
Interest paid	(28,111)	(34,418)
Income tax paid	(3,715)	(3,978)
Net cash from operating activities	16,097	(6,655)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	4,272	4,857
Acquisition of property, plant and equipment	(30,000)	(16,943)
Acquisition of intangible assets	(10,139)	(8,788)
Acquisition of subsidiaries, net of cash and cash equivalents	(1,078)	(18,689)
Cash flows from (used in) discontinued operations	288	6,090
Income from sub-leases	5,362	8,408
Net cash used in investing activities	(31,295)	(25,065)
Cash flows from financing activities		
Issuance of debentures and bonds, net of issue costs		-
Cancellation of borrowings from credit institutions	(10,000)	-
Issuance of debt with credit institutions, net of issue costs	42,672	58,372
Issuance of related-party debt, net of issue costs	3,026	-
Issuance of equity instruments	20,113	-
Lease liability payments	(27,484)	(28,990)
Net cash used in financing activities	28,327	29,382
Net increase/(decrease) in cash and cash equivalents	13,129	(2,338)
Cash and cash equivalents at 1 January	45,134	47,857
Cash received in business combinations	-	-
Effect of translation differences	(101)	(385)
Cash and cash equivalents at 31 December	58,162	45,134

The accompanying notes form an integral part of the consolidated annual accounts for 2021.

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31 December 2021

(1) Nature, Activities and Composition of the Group

Tasty Bidco, S.L. (hereinafter, “the Company” or “the Parent Company”) was incorporated as a limited liability company in Spain on 4 October 2018 with the registered name Global Mastodon, S.L. for an indefinite period, and on 12 December 2018 it changed its registered name to the current one. The Company’s registered office is located at Calle Isla Graciosa, 7, San Sebastián de los Reyes, (Madrid, Spain).

On 21 December 2018, KKR Creditor Advisors (US) LLC, the main shareholder of Food Delivery Brands Group, S.A. (formerly Telepizza Group, S.A.) announced its intention to acquire all the shares in Food Delivery Brands Group, S.A., so as to delist the Company from the Spanish stock market. The price offered was Euros 6 per share. The takeover was approved by the Spanish National Securities Market Commission (CNMV) on 28 April 2019, the results were made public on 9 May 2019, and the process concluded on 13 May 2019. As a result of the takeover, Tasty Bidco, S.L. became the main shareholder of Food Delivery Brands Group, S.A. and therefore Grupo Tasty Bidco, S.L. and subsidiaries (hereinafter, the Group, the Tasty Group or the Food Delivery Brands Group) was incorporated on 13 May 2019.

The statutory activity of the Company consists of carrying out economic studies, promoting sales of all types of products on behalf of the Company or third parties, including door-to-door advertising, import and export of all types of products and raw materials, manufacturing, distributing and commercialising products for human consumption and leasing machinery and equipment. The aforementioned statutory activities can be entirely or partially carried out, directly or indirectly, through the holding of shares or interests in companies that perform these activities either in Spain or abroad. The Company shall not carry out any activities that are subject to specific legal conditions or requirements without complying in full therewith.

The core activity of the Parent Company is its ownership interest in Food Delivery Brands Group, S.A. and the provision of corporate and strategic management-related services on behalf of Food Delivery Brands Group, S.A. and other group companies.

The principal activity of its subsidiaries consists of the management and operation of retail outlets under the brand names of “telepizza”, “Pizza World”, “Jeno’s Pizza” and “Apache”, which sell food for consumption at home and on the premises. At 31 December 2021, this activity was carried out through 556 own outlets and 1,996 franchises (539 own outlets and 1,977 franchises in 2020), located mainly in Spain, Portugal, Chile, Colombia, Ecuador, Mexico, Switzerland, Ireland, Guatemala and El Salvador. Furthermore, the Group also conducts its business via the master franchises located in Guatemala, El Salvador, Costa Rica, Peru, Honduras, Puerto Rico and Panama, among other countries.

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The Group purchases cheese in Spain through a supplier with whom it has signed a long-term exclusivity agreement and agreed a minimum annual volume. This agreement offers flexibility and enables optimum inventory management. Through its factory and logistics centre in Daganzo (Madrid), Food Delivery Brands, S.A. (formerly Tele Pizza, S.A.) supplies all the outlets in Spain and Portugal that are directly operated by the Group or through its franchisees. The Group also owns another 4 plants in countries where it manufactures dough and it operates through more than 20 logistics platforms. The high volume of purchases gives rise to economies of scale and facilitates the uniformity of the products purchased.

The franchise activity consists mainly of advising on the management of third parties' outlets that operate under the "telepizza", "Pizza Hut", "Pizza World", "Jeno's Pizza" and "Apache" brand names. The Food Delivery Brands Group receives a percentage of its franchisees' sales (royalties) for these services. The Group centralises the promotional and advertising activities for all the outlets operating in certain territories under the aforementioned brand names and receives a percentage of its franchisees' sales as advertising revenues. In addition, the Group subleases some of the premises in which its franchisees carry out their activity and provides personnel management services, such as preparing the payroll for some its franchisees.

The master franchise activity includes the operations carried out in those countries in which the Group does not operate directly because it has signed a contract licensing the "Pizza Hut" brand to a local operator. Master franchise contracts entitle the master franchisee to operate in a specific market, enabling them to open their own outlets or to establish outlets under franchise agreements.

In May 2018, the Group announced it would enter into a long-term strategic alliance with Pizza Hut, a Yum! Brands company. Once approval had been obtained from the European anti-trust authorities, the agreement entered into force on 30 December 2018 through a master franchise contract. Some of the most relevant aspects of the master franchise contract between the Group and Pizza Hut are as follows:

- The Group has become the exclusive master franchisee of Pizza Hut for the Iberian Peninsula, Latin America (including the Caribbean, with the sole exception of Brazil) and Switzerland.
- The master franchise contracts have a term of 30 years, with two 10-year extensions (30+10+10) in Spain, Portugal and Chile, and a term of 10 years plus extensions of 10 years and 5 years, respectively, (10+10+5) in the other markets.
- The Group charges franchisees of the Pizza Hut chain a royalty and pays a further royalty to Yum! Brands on sales of the Pizza Hut chains within the territories covered by the agreement and on sales of the "telepizza" chain under the strategic partnership agreement.

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- The Group is required to convert the outlets under the “telepizza” name in Latin America to “Pizza Hut” within a period of five to ten years. The Group is not required to convert these outlets in Spain and Portugal and as such, both brands will continue to co-exist.
- The Group has committed to opening a set number of new outlets over a 10-year period, with annual targets agreed by both parties, which for the first three years includes an incentive in favour of the Group. See amendments to the original agreement in Note 1(a)(ii).
- In countries where the Group operates under the “telepizza” brand but which are not covered by the master franchise contract, a period has been established for carrying out divestments (Poland, the Czech Republic and other minor countries where the Group operates through a master franchisee). During 2021, the liquidation of the Group's company in the Czech Republic was completed, as well as the sale of the Group's business in Poland (see Note 6) and the termination of the master franchise agreement in Russia.
- As part of the agreement, Food Delivery Brands, S.A. contributed the bare ownership of the “telepizza” brand to a newly-created Group company TDS Telepizza, S.L. in which Pizza Hut holds a non-controlling interest.
- The Group granted an option to purchase on the aforementioned bare ownership to Pizza Hut for Euros 1,750 thousand, which may be exercised once, 3 years after signing the agreements for the agreed price. The price agreed is equal to the fair value of this asset at that time, which reflects the residual value of the “telepizza” brand at the end of the master franchise contract indicated above (30+10+10 years) and amounted to Euros 10,100 thousand. This call option may only be settled through the physical delivery of non-financial consideration; consequently, it is not accounted for as a derivative financial instrument.
- In financial year 2021, the Group and Pizza Hut International LLC have agreed on the early exercise of the aforementioned purchase option for an additional payment of USD 3,000 thousand and, as originally agreed, the Group retains the usufruct of the "telepizza" brand and continues to operate the brand as permitted by the strategic partnership agreement. Exercise of this option by Pizza Hut does not affect the Group's rights to the exclusive use of the brand (see note 4 (f)).

The subsidiaries and subgroups composing the Food Delivery Brands Group (the Group), and the percentage ownership and details of the respective shareholders' equities at 31 December 2021 and 2020, are included in Appendix I attached hereto, which forms an integral part of these notes. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

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(a) Significant events in 2021 and 2020

(i) Coronavirus pandemic (COVID-19)

On 11 March 2020, the World Health Organization declared the outbreak of coronavirus disease (COVID-19) a pandemic, due to its rapid global spread, affecting more than 150 countries on that date. Most governments took restrictive measures to curb the spread, which included: isolation, lockdowns, quarantine and restrictions on the free movement of people, closure of public and private premises except those considered essential or relating to healthcare, border closures and drastic reductions in air, sea, rail and road transport.

This situation has had a significant impact on the global economy, due to the disruption or slowing of supply chains and the sizeable increase in economic uncertainty, evidenced by an increase in the volatility of asset prices and exchange rates, as well as cuts in long-term interest rates.

Governments approved various extraordinary emergency measures to mitigate the economic and social impact of the COVID-19 outbreak.

The Group develop a “COVID-19 Prevention Protocol”, which outlines the security measures implemented to tackle the situation with the best safeguards for health, and always in compliance with strict procedures and to ensure the health and welfare of its employees and customers at all times.

The Group works coordinated with and at the disposal of the authorities to ensure the health and welfare of employees and customers alike, and to meet any needs we can by contributing our resources.

Likewise, many of the health measures implemented by governments to curb the spread of the pandemic consisted of imposing bans or restrictions on opening hours for outlet operations. Nevertheless, the Group has managed to adapt to these circumstances, continuing with its activity and increasing primarily home delivery and takeaway services. However, due to the decline in activity, in order to streamline efforts and optimise resources the Group implemented various furlough schemes which in Spain affected 1,520 employees in 2020 (see note 3), and the Group’s executives agreed to temporary pay cuts.

In 2020, the Group drew down a (revolving) credit facility and ICO loans were arranged amounting to Euros 45,000 thousand (drawn down in 2021) and Euros 10,000 thousand, respectively, in addition to the existing funding (see note 18), which helped the Group to address the health emergency and continue with its activities.

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The Group also analysed potential options for optimising the current capital structure, in order to adapt it to the new business circumstances and the economic and competitive environment resulting from COVID-19, and to obtain the necessary financial resources to fully implement the business plan devised for the next few years.

Along these lines, the Group held contacts with various commercial banks in Spain to explore access to new ICO-guaranteed loans designed to cover the temporary impacts of COVID, and also other funding alternatives, including additional shareholder contributions, renegotiating the conditions of current financing or trading new financial instruments.

As a result of the foregoing, in January 2021 the following arrangements were made:

- The majority shareholder of Tasty Bidco, S.L. increased capital by Euros 16,974 thousand and undertook, if necessary, to raise an additional Euros 18,671 thousand (see note 16).
- On 22 December 2020, Tasty Bidco, S.L.U. and BG Select Investments (Ireland) Limited (minority shareholder of Food Delivery Brands Group, S.A), as lenders, and Food Delivery Brands Group, SA, a subsidiary of Tasty Bidco S.L. as borrower, signed a subordinated loan agreement for an amount of up to Euros 43,299 thousand, maturing in 2026, divided into two funding tranches: (i) a first tranche amounting to Euros 20,619 thousand that was disposed in January 2021, of which 17,499 thousand euros correspond to the Company and Euros 3,120 thousand to the minority shareholder (see note 18(b)) and (ii) a second tranche for an amount of up to Euros 22,680 thousand that Food Delivery Brands Group, SA may dispose of, under certain assumptions linked to the liquidity situation of the Group.
- Bank loans have been arranged for an additional amount of Euros 30,000 thousand, maturing in November 2025 (see note 18(b)).

In 2020, as a result of the impact on the global economy of the COVID-19 pandemic and based on a new business plan that factors in the estimated effects of the pandemic on cash flow forecasts for the coming fiscal years, the Group recognised an impairment on non-current assets for a total of Euros 120,695 thousand. In addition, in 2021 the Group updated its cash flow projections to the current economic situation in each of the markets in which it operates and, as a result, recognised an impairment of non-current assets for an additional amount of Euros 6,286 (see Notes 8, 10 and 24).

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On the date of issuing these consolidated annual accounts, the Group does not expect any additional impacts other than the events mentioned above on its cash flows, equity and financial position and operating earnings. However, there is currently still some uncertainty regarding the vaccine rollout and the duration of the effects of COVID-19 on the economies of countries where we are present, regarding the behaviour of consumers in this new environment, the evolution of the economy and the effects of inflation and the current geopolitical landscape and their effect on the supply chain.

(ii) New agreement with YUM;

In May 2021, the subsidiary Food Delivery Brands, S.A. and Yum! Brands Inc. agreed to amend certain terms and targets of their strategic partnership to better tackle the new economic context. Among others, the main changes relate to: (i) openings, extending the ten-year target by one additional year and revising the targets for net new units per market; (ii) slowing down the conversion schedule for Telepizza outlets in Chile, Colombia and rest of the World; (iii) opening penalty amounts, postponing the period and increasing the threshold below which these penalties would apply; and (iv) incentives, revising the terms, deadlines and targets required to obtain them.

In 2018, as part of the initial agreement with YUM, Food Delivery Brands, S.A. contributed the bare ownership of the “Telepizza” brand to a newly-created Group company TDS Telepizza, S.L. in which Pizza Hut held a non-controlling interest. Food Delivery Brands, S.A. reserved the right to use and exploit the benefits of the brand by means of a 30-year usufruct agreement with the new company. In addition, the Group granted Pizza Hut an option to purchase the aforementioned bare ownership for an amount of Euros 1,750 thousand, which would be exercisable at a single time 3 years after the signing of the agreements for the agreed price. The agreed price was equivalent to the fair value of the asset at that date, which amounted to Euros 10,100 thousand. The exercise of this option by Pizza Hut will not affect the Group's rights to the exclusive use of the brand.

As a consequence of this new agreement, on 14 May 2021 the Group and Pizza Hut International LLC agreed on the possibility of an early exercise of the aforementioned purchase option in exchange for an additional payment of USD 3,000 thousand and, on the same date, Pizza Hut decided to exercise this purchase option on the bare ownership of the "telepizza" brand. As originally agreed, the Group retains the usufruct of the Telepizza brand and continues to operate the brand as permitted by the strategic partnership agreement.

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(iii) Acquisition of Pizza Hut's Mexico business

In January 2020, the Group acquired control of Pizza Hut's Mexico business by means of a subsidiary in Mexico 75%-owned by Food Delivery Brands, S.A. and 25%-owned by the sellers, a stake on which the Group had a purchase option. In 2021, the Group exercised this purchase option for the remaining 25% (see Notes 2(d) and 7), and now controls 100% of the Pizza Hut Mexico operation through Iberifood SAPI S.A. de R.L. de C.V.

(2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Tasty Bidco, S.L. and of the consolidated companies. The consolidated annual accounts for 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Tasty Bidco, S.L. and subsidiaries at 31 December 2021 and of the consolidated results of operations and changes in consolidated equity and cash flows for the year then ended.

The Group adopted IFRS-EU from the date of first consolidation on 13 May 2019 and applied IFRS 1, "First-time Adoption of International Financial Reporting Standards".

The Directors of the Parent Company consider that the consolidated annual accounts for 2021, authorised for issue on 24 March 2022, will be approved with no changes by the shareholders at their General Shareholders' Meeting.

(a) Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on a historical cost basis, except for the following:

- Non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

(b) Comparative information

The consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2021 include comparative figures for the previous year, which were part of the consolidated annual accounts for 2020, approved by the Sole Shareholder at the general meeting held on 30 June 2021.

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(c) Relevant accounting estimates, assumptions and judgements used when applying accounting policies

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting policies to prepare the consolidated annual accounts in conformity with IFRS-EU.

A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets (see note 4 (f)).
- The Group tests goodwill and brand "Apache" for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses discounted cash flow methods to calculate these values, based on projections of the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. The key assumptions employed when determining fair value less costs to sell include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology employed, could have a significant impact on the values and the impairment loss (see notes 4(h) and 10).
- Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, including an analysis of expected loss, and vice-versa (see note 13).
- The Group capitalises tax credits when they are likely to be offset in the foreseeable future based on the business plans for each tax jurisdiction in which it operates (see note 26). The calculation of the recoverable amount of these deferred tax assets requires the use of estimates by management. The calculations regarding their recoverability are based on the projections for coming years in the budgets approved by the Board of Directors, considering past experience, and represent the best estimate of future market performance.

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- The Group is subject to regulatory and legal processes and inspections by government bodies in various jurisdictions. The Group recognises a provision if it is probable that an obligation will exist at year end which will give rise to an outflow of resources embodying economic benefits and the outflow can be reliably measured. Legal processes usually involve complex issues and are subject to substantial uncertainties. As a result, the Directors use significant judgement when determining whether it is probable that the process will result in an outflow of resources embodying economic benefits and estimating the amount.

Although estimates are calculated by the Company's Directors based on the best information available at 31 December 2021, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(d) Consolidation scope

In January 2020, the Group acquired control of Pizza Hut's Mexico business by means of a subsidiary in Mexico 75%-owned by Food Delivery Brands, S.A. and 25%-owned by the sellers (see notes 1(a) and 7). In 2021, the Group exercised this purchase option for the remaining 25% (see Notes 2(d) and 7) and will now control 100% of the Pizza Hut Mexico operation through Iberifood SAPI S.A. de R.L. de C.V.

(e) Standards and interpretations issued

Standards and interpretations effective since 2021

The amendments to standards and interpretations or new standards introduced since 1 January 2021 have not led to changes in the Group's accounting policies and had no material impacts.

Standards and interpretations issued but not applied

New standards to be introduced since 1 January 2022 and those scheduled for introduction in subsequent years have a negligible or zero impact on the consolidated annual accounts and, accordingly, will not lead to a material change in the Group's accounting policies.

- Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: Provisions for onerous contracts. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2022.
- Amendment to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2022.

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- Classification of liabilities as current or non-current. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2023. Pending adoption by the UE.
- Definition of accounting estimates. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2023. Pending adoption by the UE.
- Breakdowns of accounting policies. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2023. Pending adoption by the UE.

(f) Functional and presentation currency

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the functional and presentation currency of the Parent Company, rounded off to the nearest thousand.

(3) Appropriation of profit or loss of the Parent Company

The proposed appropriation of the profit of Tasty Bidco, S.L. for 2021 of Euros 4,229,959, made by the Board of Directors for submission to the General Shareholders' Meeting for approval, was that it be offset with prior years' losses.

The proposed appropriation of Tasty Bidco, S.L.'s Euros 85,921,400 loss in 2020, approved by the Sole Shareholder on 30 June 2021, was that it be fully transferred to prior years' losses.

In accordance with note 1(a), some companies belonging to the Group in Spain made use of furlough schemes regulated by article 1 of Royal Decree-Law 18/2020, dated 12 May, concerning measures to safeguard employment, articles 1 and 2 of Royal Decree-Law 24/2020, dated 26 June, concerning social measures to reactivate employment and protect the self-employed and competitiveness in the industrial sector, extended by Royal Decree-Law 30/2020, dated 29 September, concerning social measures to safeguard employment, using the public resources earmarked for that purpose and by Royal Decree-Law 2/2021, dated 26 January, concerning additional support and consolidation of measures to safeguard employment. As a consequence of this, and in accordance with the provisions of articles 5 of said Royal Decrees, article 4 of Royal Decree-Law 30/2020 and article 3 of Royal Decree-Law 2/2021, the subsidiaries that have made use of these schemes and that comply with certain requirements are prohibited from distributing dividends for the fiscal year in which the furlough schemes are in force, unless they previously reimburse the amount corresponding to the exemption applied to Social Security contributions and they have waived said exemption.

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(4) Accounting Principles

(a) Subsidiaries

Subsidiaries are entities over which the Parent Company, either directly or indirectly, exercises control. The Company controls a subsidiary when it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control. Subsidiaries are excluded from consolidation from the date that control ceases.

Transactions and balances with Group companies and significant unrealised gains or losses have been eliminated on consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to the Group's accounting policies for alike transactions and events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent Company.

Information on the subsidiaries included in the consolidated Group is presented in Appendix I to note 1.

(b) Business combinations

The Group applies the acquisition method for business combinations.

The acquisition date is the date on which the Group obtains control of the acquiree.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

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The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

With the exception of lease and insurance contracts, the assets acquired and liabilities assumed are classified and designated for subsequent measurement based on contractual agreements, economic terms, accounting and operating policies and any other conditions existing at the acquisition date.

The business acquired has a number of associated asset lease contracts with third parties. On the acquisition date, the Group assessed whether the conditions of said contracts are favourable or unfavourable as compared with market conditions. The Group measures the lease liability at the present value of the residual lease payments, as though the contract acquired were a new lease on the acquisition date. The Group measures the rights-of-use asset for the same amount as the liability, adjusted to reflect the favourable or unfavourable conditions as compared with market conditions.

If the business combination can only be determined provisionally the identifiable net assets are initially recognised at their provisional values and adjustments made during the measurement period are recognised as if they had been known at the acquisition date. Comparative figures for the previous year are restated where applicable. In any event, adjustments to provisional amounts only reflect information obtained about facts and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date. After this period, the initial measurement is only adjusted when correcting errors.

The potential benefit of the acquiree's income tax loss carryforwards and other deferred tax assets, which are not recognised as they did not qualify for recognition at the acquisition date, is accounted for as income tax income provided that it does not arise from an adjustment of the measurement period.

If the Group has no previously held interest in the acquiree, the excess between the amount allocated to non-controlling interests, and the net assets acquired and liabilities assumed is recognised as goodwill. Any shortfall is recognised in profit or loss, after assessing the value assigned to non-controlling interests, and the identification and measurement of net assets acquired.

Contingent consideration is classified in accordance with the underlying contractual terms as a financial asset, financial liability, equity instrument or provision. Subsequent changes in the fair value of a financial asset or financial liability are recognised in profit or loss, provided that they do not arise from a measurement period adjustment. Contingent consideration classified as equity is not remeasured, and subsequent settlement is accounted for in equity. Contingent consideration classified as a provision is subsequently recognised at fair value through profit or loss.

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(c) Foreign currency transactions and balances

(i) Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the spot exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into Euros at the exchange rate at the date that the fair value was recognised.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as “Effect of exchange rate fluctuations on cash and cash equivalents held”.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange gains or losses arising on monetary items forming part of the net investment in foreign operations are recognised as translation differences in other comprehensive income.

Monetary financial assets denominated in foreign currencies classified as available for sale are measured at amortised cost in the foreign currency. Consequently, the translation differences associated with changes in amortised cost are recognised in profit or loss.

Unrealised foreign exchange gains or losses relating to non-monetary assets and liabilities are recognised in conjunction with the change in fair value. Nevertheless, the foreign exchange risk component of non-monetary financial assets denominated in foreign currencies, classified as available-for-sale and as hedged items in fair value hedges of the component, are recognised in profit or loss.

(ii) Translation of foreign operations

Foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated into Euros as follows:

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- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at the reporting date.
- Income and expenses, including comparative amounts, are translated at the exchange rates that approximate those prevailing at each transaction date.
- All resulting translation differences are recognised as translation differences in other comprehensive income.

For presentation of the consolidated statement of cash flows, cash flows of the subsidiaries and foreign joint ventures, including comparative balances, are translated into Euros applying exchange rates that approximate those prevailing at the transaction date.

Translation differences recognised in other comprehensive income are accounted for in profit or loss as an adjustment to the gain or loss on the sale using the same criteria as for subsidiaries.

(d) Property, plant and equipment

Property, plant and equipment are recognised at cost, less accumulated depreciation and any accumulated impairment losses.

Non-current investments in properties contracted from third parties under operating leases are measured based on the same criteria used for property, plant and equipment. Assets are depreciated over the shorter of the lease term and their useful life. The term of the lease contract is determined consistently with the classification thereof.

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life.

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	33
Technical installations and machinery	3 - 15
Other installations, equipment and furniture	10
IT equipment	4
Other	4 - 6

The depreciable amount is the cost of an asset.

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The Group reviews residual values, useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates, where applicable. In the subsequent reviews, the depreciation period is determined in accordance with the best estimate on the date the investments are made.

The Group determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Subsequent to initial recognition of the asset, only those costs incurred which will generate probable future profits and for which the amount may reliably be measured are capitalised. In that regard, costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

The Group measures and determines impairment or reversal of impairment of property, plant and equipment based on the criteria in section (h) of this note.

(e) Right-of-use assets

(i) Identification of a lease

At inception of a contract, the Group assesses whether the contract contains a lease. A contract is —or contains— a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period in which a Group uses an asset includes consecutive and non-consecutive periods. The Group only reassesses the conditions when there is a modification to the contract.

(ii) Lessee accounting

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The payments made by the Group that do not imply the transfer of goods or services thereto by the lessor do not constitute a separate lease component, but form part of the total contractual consideration.

The Group has opted not to apply the accounting policies shown below for short-term leases and those with a value of less than Euros 5 thousand.

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The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

At the lease commencement date the Group recognises a right-of-use asset and a lease liability. The right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payment made at or before the commencement date, less any lease incentives received, any initial direct costs incurred.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The Group discounts lease payments at the appropriate incremental interest rate, unless it can readily determine the lessor's implicit interest rate.

Lease payments pending comprise fixed payments less any incentives receivable, variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date, the amounts expected to be payable under residual value guarantees, the exercise price of the option to purchase if the lessee is reasonably certain to exercise that option, and the payment of penalties for terminating the lease, provided that the lease term reflects the lessee exercising an option to terminate the lease.

The Group measures right-of-use assets at cost, less any accumulated depreciation and impairment, adjusted for any re-measurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier.

The Group applies to the right-of-use asset the impairment of non-current assets criteria set forth in section (h) of this note.

The Group measures lease liabilities by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any lease modifications or to reflect revised in-substance fixed lease payments.

The Group recognises variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

The Group recognises the amount of remeasurement of the liability as an adjustment to the right-of-use asset until this is reduced to zero and subsequently in profit or loss.

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The Group remeasures lease liabilities by discounting the revised lease payments using a revised discount rate, if there is a change in the lease term or a change in assessment of an option to purchase the underlying asset.

The Group accounts for a lease modification as a separate lease if it increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If the modification does not result in a separate lease, on the effective lease modification date the Group allocates the consideration in the modified contract in accordance with the above, it re-determines the modified lease term and it remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, in those modifications that diminish the lease scope, and it recognises any gain or loss in profit or loss. For all other lease modifications, the Group adjusts the carrying amount of the right-of-use asset.

In 2021, the Group did not apply the new optional practical simplification established in the standard on whether the evaluation of concessions in lease payments resulting from the COVID-19 coronavirus are a lease modification.

(iii) Lessor accounting

In contracts containing a lease component and one or more additional lease or non-lease components, the Group allocates the contractual consideration as indicated in the accounting policy on revenue from contracts with customers.

The Group classifies as financial leases those contracts whose terms transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

▪ Finance leases

The Group recognises a receivable in the amount equal to the current value of lease income, plus the unguaranteed residual value, discounted at the interest rate implicit in the lease (net lease investment). Initial direct costs are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term. Finance income is taken to profit or loss using the effective interest method.

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At the commencement of the lease, the Group recognises in the lease receivable the payments pending relating to fixed payments less any incentives receivable, variable payments that depend on an index or rate, initially measured using the index or rate as at the commencement date, any amounts paid to the lessor under residual value guarantees by the lessee, a party related thereto or an unrelated third party with the financial capacity to meet the obligation, the exercise price of any purchase option if the lessee is reasonably certain to exercise that option, and the payment of penalties for terminating the lease, provided that the lease term reflects the lessee exercising an option to terminate the lease.

The Group recognises a modification to a finance lease as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If the modification does not result in a separate lease and the lease had been classified as an operating lease, if the modification took place at the commencement of the lease term, the Group accounts for the modification as a new lease from the effective date of modification and measures the carrying amount of the underlying asset as the net lease investment immediately before the effective modification date. Otherwise, the Group applies the modification requirements indicated in the accounting policy for financial instruments.

The Group periodically assesses unguaranteed residual values. If there is a reduction, the recognition of income in the residual period is reviewed and any decrease relating to the accrued amounts is immediately recognised in profit or loss.

The finance lease assets that meet the criteria to be classified as non-current assets held for sale are recognised and measured in accordance with the provisions of section (g) of this note.

▪ Operating leases

The Group presents assets leased to third parties under operating lease contracts according to their nature, applying the accounting policies set out in section (i) of this note.

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The Group recognises operating lease income, net of incentives granted, as income on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Initial direct costs are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group recognises variable payments as income when they are likely to be received, which is generally when the events triggering their payment take place.

The Group recognises modifications to operating leases as a new lease from the effective date of modification, considering any early or deferred payment for the original lease as a part of the lease payments for the new lease.

▪ Subleases

The Group classifies a sublease as an operating lease if the head lease is a short-term lease. Otherwise, the Group classifies the sublease as an operating or finance lease by reference to the right-of-use asset of the head lease and not by reference to the underlying asset.

(iv) Other considerations

Permanent investments in buildings leased by the Group are classified as property, plant and equipment. Investments made at the lease commencement are depreciated over the lease term or their useful life, whichever is shorter, consistent with the determination of the lease term. In the subsequent reviews, the depreciation period is determined in accordance with the best estimate on the date the investments are made.

(f) Intangible assets

(i) Goodwill

Goodwill on business combinations reflects the excess of the cost of the business combination (see note 4(b)) over the acquisition-date fair value of the assets acquired and contingent liabilities assumed from the acquiree. Gains and losses on the sale of an entity include the carrying amount of goodwill from the sold entity.

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Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. The Food Delivery Brands Group has defined each of the outlets in which it operates and the factories owned by the Group as the main CGUs. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

(ii) Intangible assets acquired in business combinations

The cost of identifiable intangible assets acquired in business combinations is their acquisition-date fair value, provided that this can be measured reliably. Subsequent costs relating to research and development projects are recognised in accordance with the criteria for internally generated intangible assets.

(iii) Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses in the consolidated statement of financial position.

- Concessions, patents and licences

Concessions, patents and licences are measured at their cost of acquisition.

- Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software to use.

Computer software maintenance costs are expensed as incurred.

(iv) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

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Due to their market leadership and potential as umbrella brands for new sales concepts through the extension of their range of products, the “telepizza” and “Apache” brands are considered to have an indefinite useful life, which is in line with sector practice for brands with similar characteristics. However, due to the early exercise of the sale option on the "telepizza" brand (see note 1), the usufruct of the brand has a finite useful life and is now therefore amortised over its remaining useful life, which coincides with the period of the usufruct.

Intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment on an annual basis or whenever there is an indication that the intangible asset may be impaired.

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a straight-line basis over the following useful lives:

Brand (Telepizza Usufruct)	27.5
Patents and licences	4
Contractual rights	25
Computer software	4
Other intangible assets	4 - 10
Administrative concessions	Operating term

The depreciable amount is the cost of an asset.

Contractual rights arising from the franchise agreements and the remaining intangible assets are amortised over the period in which they are expected to contribute to generating revenues (see note 10).

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates. In the subsequent reviews, the depreciation period is determined in accordance with the best estimate on the date the investments are made.

The Group measures and determines impairment to be recognised or reversed based on the criteria in section (h) of this note.

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(g) Non-current assets held for sale and discontinued operations(i) Non-current assets held for sale

Non-current assets or disposal groups are classified as non-current assets held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. Non-current assets or disposal groups are classified as held for sale, provided that they are available for sale in their present condition subject to terms that are usual and customary for sales of such assets and that the transaction is highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of disposal and are not depreciated.

The Group classifies subsidiaries that comply with the above conditions and over which the Group will lose control, irrespective of whether it continues to exercise significant influence or joint control, as a disposal group held for sale or distribution, or as a discontinued operation.

Impairment losses on initial classification and subsequent remeasurement of assets classified as held-for-sale are recognised under profit or loss from continuing operations in the consolidated income statement (consolidated statement of comprehensive income), unless it is a discontinued operation. Impairment losses on a cash generating unit (CGU) are allocated first to reduce the carrying amount of goodwill and then to reduce pro rata the carrying amounts of other assets in the unit.

Gains due to increases in the fair value less costs of disposal are recognised in the profit or loss to the extent of the cumulative impairment previously recognised due to measurement at fair value less costs of disposal or to impairment of non-current assets.

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A non-current asset or disposal group, including subsidiaries and all or part of investments in associates and joint ventures acquired exclusively for resale or swap, is classified at the date of acquisition as held for sale if the transaction is expected to be realised within twelve months after the reporting date and the sale is considered highly probable within a short period subsequent to acquisition. On initial classification as held-for-sale, non-current assets are recognised at the lower of the carrying amount of the asset had it not been classified as held-for-sale and fair value less costs of disposal.

The Group measures a non-current asset that ceases to be classified as held-for-sale or to form part of a disposal group at the lower of the carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale, and its recoverable amount at the date of reclassification. Any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations or other comprehensive income.

The consolidated annual accounts for prior periods since the classification of a subsidiary, associate or joint venture as a disposal group or non-current asset held for sale are restated as if they had never been classified as such. As a result, the assets and liabilities of subsidiaries are presented according to their nature, and any amortisation, depreciation or revaluations that would have been recognised had they not been classified as disposal groups held for sale are recognised.

(ii) Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held-for-sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

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The Group discloses the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement at fair value less disposal or distribution costs or on the disposal of the assets or disposal groups constituting the discontinued operation on the face of the consolidated income statement.

(h) Impairment of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

The Group tests goodwill and the brand, which has an indefinite useful life, for impairment at least annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount of the assets is the higher of its fair value less costs to sell and its value in use. An asset's value in use is measured based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset.

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in profit or loss.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit or group of cash-generating assets to which the asset belongs.

If there is an indication of impairment of a CGU to which goodwill has been unable to be allocated, the Group tests the CGU for impairment first, excluding any goodwill and recognises, where applicable, any impairment loss at CGU level. The Group then tests the group of CGUs to which goodwill has been allocated for impairment and recognises, where applicable, any impairment loss at CGU group level.

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In testing a CGU for impairment, the Group identifies all the corporate assets that relate to the CGU. If a portion of the corporate assets can be allocated on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the CGU, including the corporate asset, with its recoverable amount and, where applicable, recognises any impairment loss at CGU level. If the Group cannot allocate a portion of the corporate assets on a reasonable and consistent basis to the CGU, it compares the carrying amount of the unit, excluding the corporate asset, with its recoverable amount and recognises, where applicable, any impairment loss at CGU level. The Group identifies the smallest group of CGUs to which the carrying amount of the corporate asset can be allocated on a reasonable and consistent basis and compares the carrying amount of the group of CGUs, including the corporate assets, with the recoverable amount and recognises, where applicable, the impairment loss at CGU group level.

Impairment losses for CGUs are allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other non-current assets of the unit pro rata with their carrying amounts. The carrying amount of each asset may not be reduced below the highest of its fair value less costs to sell, its value in use and zero.

At the end of each reporting period the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the consolidated income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

A reversal of an impairment loss for a CGU is allocated to the assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the consolidated income statement.

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(i) Financial instruments

(i) Recognition and classification of instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument laid down in IAS 32 “Financial Instruments: Presentation”.

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein.

The Group classifies a financial asset at amortised cost when it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The Group classifies financial liabilities held for trading as at fair value through profit or loss.

The Group designates a financial liability at initial recognition as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or when a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group’s key management personnel.

The Group classifies other financial liabilities as financial liabilities at amortised cost, except for financial guarantee contracts, commitments to provide a loan at a below-market interest rate or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

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(ii) Offsetting principles

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. In order for the Group to currently have a legally enforceable right, it must not be contingent on a future event and must be legally enforceable in the normal course of business, or in the event of default, or in the event of insolvency or bankruptcy.

(iii) Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(iv) Reclassifications of financial instruments

The Group reclassifies financial assets when it changes its business model for managing them. The Group does not reclassify financial liabilities.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, the difference between the fair value and the carrying amount is recognised in profit or loss. From the reclassification date, the Group does not recognise the interest separately from the financial asset.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, the difference between the fair value and the carrying amount is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. However, the cumulative gain or loss on expected credit losses is recognised in other comprehensive income and disclosed in the notes.

(v) Impairment

The Group recognises in profit or loss a loss allowance for expected credit losses on financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, finance lease receivables, contract assets, loan commitments and financial guarantees.

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The Group assesses prospectively the expected credit losses associated with its debt instruments measured at amortised cost. The Group uses the practical expedients provided for in IFRS 9 to measure expected credit losses on trade receivables through a simplified approach, thereby eliminating the need for an assessment when there has been a significant increase in credit risk. Under the simplified approach, expected losses must be recognised upon initial recognition of the accounts receivable, such that the Group determines the expected credit losses as a probability-weighted estimate of these losses over the expected life of the financial instrument.

The practical expedient used consists of the use of a provision matrix, based on segmentation into groups of homogeneous assets, applying historical information on default rates for those groups and reasonable information on future economic conditions.

The default rates are calculated based on actual experience of defaults in the prior year, as this is a highly dynamic market, and adjusted for differences between current and historical economic conditions and considering projected information that is reasonable available.

The Group recognises expected credit losses over the life of the instrument for trade receivables, contract assets and finance lease receivables.

Expected credit losses represent the difference between contractual and expected flows, both with regard to amount and term.

The Group has determined the impairment of cash and cash equivalents for the 12-month expected credit losses. The Group considers that cash and cash equivalents have low credit risk based on the credit risk ratings of financial institutions where the cash or deposits are deposited.

(vi) Derecognition, modification and cancellation of financial assets

The Group applies the criteria for derecognition of financial assets to part of a financial asset or part of a group of similar financial assets or to a financial asset or group of similar financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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(vii) Derecognition of financial liabilities

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

(j) Distributions to shareholders

Dividends, whether in cash or in kind, are recognised as a reduction in equity when approved by the General Meeting of Shareholders.

(k) Inventories

Inventories mainly comprise food products, packaging, promotional material and smaller quantities of other materials, and are recognised at the acquisition or production cost and net realisable value, whichever is lower.

The purchase price comprises the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, plus any additional costs incurred to bring the goods to a saleable condition and other costs directly attributable to the acquisition.

Trade discounts are recognised as a reduction in cost of inventories when it is probable that the conditions for discounts to be received will be met. Unallocated discounts are recognised in the consolidated income statement as a decrease in the purchase. Purchase returns are recognised as a reduction in the carrying amount of inventories returned.

The production cost of inventories comprises the purchase price of raw materials and consumables, costs directly related to the units of production and systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed indirect overheads is based on the higher of normal production capacity or actual production.

The cost of raw materials and other supplies, the cost of goods for resale and costs of conversion are allocated to each inventory unit on a weighted average cost basis.

The cost of inventories is written down against profit or loss when it exceeds net realisable value. Net realisable value is considered as the following:

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- Raw materials and other supplies: replacement cost. Nevertheless, raw materials and other supplies are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.
- Merchandise and finished goods: estimated selling price less costs to sell.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in credit institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

(m) Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. They may comprise the following:

- Capital grants: capital grants awarded as monetary assets are recognised under government grants and allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received. Government grants in the form of transfers of a non-monetary asset are recognised at fair value under government grants and are allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received.
- Operating grants: operating grants are recognised as a reduction in the expenses that they are used to finance.

(n) Employee benefits

(i) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

For termination benefits payable as a result of an employee's decision to accept an offer, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect.

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In the case of involuntary termination benefits, the Group can no longer withdraw the offer in the following cases: it has communicated to the affected employees or trade union representatives the plan; the actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made; the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations and the expected completion date; the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

If the termination benefits are not expected to be settled wholly before 12 months after the end of the annual reporting period, the liability is discounted by reference to market yields on high quality corporate bonds.

(ii) Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, which are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees provide the related service.

The Group recognises the expected cost of short-term employee benefits in the form of accumulating compensated absences when the employees render services that increase their entitlement to future compensated absences. In the case of non-accumulating compensated absences, the expense is recognised when the absences occur.

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which associated future cash flows have not been adjusted at each reporting date.

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The financial effect of provisions is recognised as finance expenses in profit or loss. The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement caption in which the related expense was recognised.

(p) Revenue recognition

The Group operates a chain of outlets engaged in the retail sale of food. The Group recognises the sales of goods when it sells products to the customer. The transaction price is collected in cash, and there is no policy for sales returns.

The Group also sells products to its franchisees, and sales are recognised when control of the products is transferred, i.e. when the goods are delivered to the wholesaler, and there is no unfulfilled obligation that could affect wholesaler acceptance of the product. Delivery is made when the products are sent to the destination indicated by the franchisee, the risk of loss and obsolescence have been transferred thereto and the franchisee has accepted the products in accordance with the sale contract, the acceptance clauses have expired or the Group has objective evidence that all the acceptance criteria have been met.

Once the product has been delivered to the customer, an account receivable is recognised to the extent that an unconditional right to receive payment arises at that time.

Income from royalties and amounts invoiced for advertising, given that consideration takes the form of royalties based on sales of rights-of-use, are recognised as and when the sales take place. Amounts invoiced for advertising are not considered distinct goods or services that are separable from the rights-of-use of the intellectual property licence.

Initial franchise fee/transfer fees and renewal fees that are invoiced to franchisees and master franchisees are considered as an access licence and are recognised gradually over the term stipulated in the franchise contract, considering the renewal periods that entail a significant right for the customer.

(q) Income tax

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

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Deferred tax liabilities are the amounts of corporate income tax payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of corporate income tax recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability and its tax base.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Since 1 January 2020, Tasty Bidco, S.L. has been the Parent Company of a tax group in Spain, as defined by the consolidated tax regime, which at 31 December 2021 comprised Food Delivery Brands Group, S.A., Food Delivery Brands, S.A., Mixor, S.A., Telepizza Gestión, S.A., and Luxtor, S.A.

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases except where:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.
- they are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(ii) Recognition of deductible temporary differences

The Group recognises deferred tax assets provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised or when tax legislation allows the future conversion of deferred tax assets into a receivable from public entities. However, assets arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affect neither accounting profit nor taxable income, are not recognised;
- the temporary differences are associated with investments in subsidiaries and joint ventures that will reverse in the foreseeable future and sufficient tax gains are expected to be generated against which the temporary differences can be offset;

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tax planning opportunities are only considered when assessing the recoverability of deferred tax assets if the Group intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not comply with the above conditions are not recognised in the consolidated statement of financial position. At year end the Group reassesses whether conditions are met for recognising previously unrecognised deferred tax assets.

(iv) Offset and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts, and they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

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(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Classification of assets and liabilities as current and non-current

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within 12 months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least 12 months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
- Financial liabilities are classified as current when they are due to be settled within 12 months after the reporting date, even if the original term was for a period longer than 12 months, and an agreement to refinance or to reschedule payments on a long-term basis is completed after the reporting date and before the consolidated annual accounts are authorised for issue.

(t) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

Items of property, plant and equipment acquired by the Group for consistent use in its activity and whose main purpose is to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in note 4 (d).

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(5) Segment reporting

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units operate under different market conditions and are managed separately because they require different strategies.

At 31 December 2021 and 2020, the Group comprises the following operating segments:

- Spain
- Rest of Europe
- Latin America
- Master franchise and rest of the world

Segment performance is measured based on the profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

Inter-segment transaction prices are established based on the normal commercial terms and conditions with unrelated third parties.

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	2021				
	Thousands of Euros				
	Spain	Rest of Europe	Latin America	Rest of world	Total
Revenue					
Own outlet sales	38,574	30,282	114,708	-	183,564
Supply sales to franchisees	98,350	15,171	6,232	-	119,753
Royalties	54,829	10,818	4,647	-	70,294
Revenue from franchising activity	2,268	-	542	-	2,810
Other services rendered to franchisees	4,270	1,528	2,250	-	8,048
Income from incentives	2,921	672	437	-	4,030
Revenue from initial fees	2,144	-	436	-	2,580
Total revenues	203,356	58,471	129,252	-	391,079
Amortisation and depreciation	(27,511)	(2,996)	(16,806)	-	(47,313)
Impairment of non-current assets	(1,787)	(1,396)	(3,103)	-	(6,286)
Other profit/(loss)	4,529	508	2,206	-	7,243
Operating profit/(loss)	17,847	9,564	(13,796)	-	13,615
Net finance income/(cost)	(23,861)	(960)	(11,112)	-	(35,933)
Income tax	575	(939)	366	-	2
Profit/(loss) from continuing operations	(5,438)	7,664	(24,542)	-	(22,316)
Profit/(loss) from discontinued operations	-	(4,744)	-	-	(4,744)
Non-controlling interests	(1,329)	3,093	(3,858)	-	(2,094)
Profit/(loss) attributable to the Parent Company	(4,109)	(173)	(20,685)	-	(24,966)
Segment assets	745,847	85,574	172,412	-	1,003,833
Assets from discontinued operations or held-for-sale assets	-	-	-	-	-
Group assets	745,847	85,574	172,412	-	1,003,833
Segment liabilities	554,594	31,166	137,736	-	723,496
Liabilities from discontinued operations or held-for-sale liabilities	-	-	-	-	-
Group liabilities	554,594	31,166	137,736	-	723,496
Investments in property, plant and equipment and intangible assets	16,205	1,333	23,679	-	41,217

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	2020				
	Thousands of Euros				
	Spain	Rest of Europe	Latin America	Rest of world	Total
Revenue					
Own outlet sales	49,875	33,058	84,988	-	167,921
Supply sales to franchisees	88,177	14,055	5,729	-	107,961
Royalties	47,512	9,604	4,066	-	61,182
Revenue from franchising activity	4,039	-	4	-	4,043
Other services rendered to franchisees	739	663	2,331	-	3,733
Revenue from initial fees	2,376	112	29	-	2,517
Total revenues	192,718	57,492	97,147	-	347,357
Amortisation and depreciation	(24,321)	(3,317)	(16,083)	(4)	(43,725)
Impairment of non-current assets	(90,164)	(14,593)	(15,938)	-	(120,695)
Other profit/(loss)	7,236	(349)	(4,661)	-	2,226
Loss from operating activities	(84,712)	(5,981)	(38,305)	22	(128,976)
Net finance income/(cost)	(23,093)	(2,254)	(6,143)	1	(31,489)
Income tax	(2,307)	(672)	6,397	(1)	3,417
Profit/(loss) from continuing operations	(110,110)	(8,906)	(38,053)	21	(157,048)
Profit/(loss) from discontinued operations	6	(3,340)	-	-	(3,334)
Non-controlling interests	(17,105)	(469)	(5,979)	4	(23,550)
Profit/(loss) attributable to the Parent Company	(93,004)	(8,439)	(32,074)	18	(133,498)
Segment assets	777,046	80,631	153,235	1,437	1,012,349
Assets from discontinued operations or held-for-sale assets	6,374	7,575	-	-	13,949
Group assets	783,420	88,206	153,235	1,437	1,026,298
Segment liabilities	534,221	57,100	139,205	889	731,415
Liabilities from discontinued operations or held-for-sale liabilities	-	5,787	-	-	5,787
Group liabilities	534,221	62,887	139,205	889	737,202
Investments in property, plant and equipment and intangible assets	17,265	1,415	23,131	-	41,811

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(6) Non-current Assets Held for Sale and Discontinued Operations

In 2018, the global agreement between the Group and Pizza Hut (see note 1) set forth the obligation for the Telepizza Group to make its best efforts to sell its assets in Poland and the Czech Republic. In 2019 and in the first quarter of 2020 the Group held talks with various groups interested in acquiring the Poland and Czech Republic businesses. However, these talks were stalled as a result of the COVID-19 pandemic and the Group decided in April 2020 to wind down its Czech operations, with the liquidation being completed in 2021.

In addition, on 25 June 2021, the Group sold its Polish business to its local headquarters in Poland. The Telepizza outlets in Poland will temporarily continue to operate under the “telepizza” brand. As a result of this sale, the Group has incurred losses totalling Euros 4,362 thousand, which have been recognised in the consolidated income statement under profit/(loss) from discontinued operations.

In view of the foregoing, in 2020, the Group’s businesses in Poland and the Czech Republic were classified as held for sale in the consolidated statement of financial position and as profit or loss from discontinued operations in the consolidated income statement, as required by the applicable standards. In addition, at 31 December 2020 the Group also presented as non-current assets held for sale a group of outlets in Spain under the “telepizza” and “Pizza Hut” trademarks.

At 31 December 2021 the Group has no assets classified as held-for-sale.

The breakdown of assets and liabilities held for sale relating to the aforementioned operations is as follows:

	Thousands of Euros	
	2021	2020
<i>Assets held for sale:</i>		
Technical installations and machinery	-	5,678
Right-of-use	-	1,132
Goodwill	-	2,167
Other intangible assets	-	75
Net investment in subleases	-	872
Other non-current assets	-	303
Inventories	-	82
Other current assets	-	3,311
Cash	-	329
Total assets	-	13,949
<i>Liabilities directly associated with non-current assets held for sale:</i>		
Non-current lease liabilities	-	1,904
Trade and other payables	-	3,883
Total liabilities	-	5,787

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The breakdown of profit or loss from discontinued operations presented in the consolidated income statement relating to the discontinued operation is as follows:

	Thousands of Euros	
	2021	2020
Revenue	3,765	11,942
Merchandise and raw materials used	(1,438)	(4,093)
Personnel expenses	(1,000)	(3,043)
Depreciation and amortisation expenses	(298)	(1,422)
Other expenses	(1,368)	(5,998)
Profit/(loss) from loss of control of subsidiaries	(4,362)	-
Other losses	(16)	(569)
Loss from operating activities	(4,717)	(3,183)
Finance income	9	71
Finance expenses	(31)	(317)
Pre-tax loss	(4,739)	(3,429)
Income tax expense	(5)	95
Post-tax loss of discontinued operations	(4,744)	(3,334)

(7) Business Combinations

(i) Business combinations in 2021

The Group has acquired operational outlets from franchisees in Chile, Spain and Colombia.

The aggregate breakdown of the cost of the business combinations, the net assets acquired and goodwill is as follows:

	Thousands of Euros
Cost of the combinations, cash paid	1,632
Less, fair value of net assets acquired	(1,078)
Goodwill (note 10)	554

The goodwill generated on the business combinations is due to the outlets acquired having a good market position. This goodwill was considered tax deductible in its entirety.

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The amounts recognised in 2021 by significant class of asset and liability at the acquisition date are as follows:

	Thousands of Euros
	Fair value
	2021
Intangible assets (note 10)	2
Property, plant and equipment (note 8)	1,076
Total net assets acquired	1,078
Cash paid	1,632
Cash and cash equivalents of the acquiree	-
Cash outflow for the acquisition	1,632

The fair value of the assets and liabilities acquired in business combinations does not differ from their carrying amount; neither do the contractual gross amounts receivable differ from the carrying amount.

The businesses acquired in 2021 have generated ordinary revenue and consolidated loss of Euros 581 thousand and Euros 62 thousand, respectively, for the Group for the period from the acquisition date to the reporting date. Had the 2021 acquisition taken place at 1 January 2021, the Group would have posted an increase in ordinary revenue and consolidated profit for the year ended 31 December 2021 of Euros 2,766 thousand less Euros 389 thousand, respectively.

(i) Acquisition of Pizza Hut's Mexico business in 2020

As detailed in note 1, on 1 January 2020, the Group acquired the control of Pizza Hut's business in Mexico through a subsidiary in Mexico 75%-owned by Food Delivery Brands, S.A. and 25%-owned by the sellers, on which the Group and the sellers had call and put options, respectively, unilaterally exercisable. On 15 December 2021, the Group exercised this call option.

The breakdown of the consideration paid, the fair value of the net assets acquired and the goodwill is as follows:

	Thousands of Euros
Consideration paid	
Cash paid	10,712
Total consideration paid	10,712
Non-controlling interests	-
Fair value of the net assets acquired	(7,872)
Goodwill (excess of net assets acquired over the acquisition cost) (note 10)	2,840

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Goodwill generated in business combinations is due to the outlets acquired and the franchise network having a good market position. No tax-deductible goodwill was generated in the business combination.

The acquisition cost of the business combinations carried out amounted to Euros 508 thousand and was recorded under “Other expenses” in the consolidated income statement.

The amounts recognised in 2020 by significant class of asset and liability at the acquisition date are as follows:

	Thousands of Euros
	Fair value
	2020
Intangible assets (note 10)	1,057
Property, plant and equipment (note 8)	4,661
Right-of-use assets (note 9)	10,398
Deferred tax assets	919
Other non-current assets	406
Inventories	886
Trade and other receivables	4,838
Other current assets	237
Cash and cash equivalents	3,255
	<hr/>
Total assets	26,657
Lease liabilities	(10,398)
Provisions	(156)
Trade and other payables	(8,231)
	<hr/>
Total liabilities	(18,785)
	<hr/>
Total net assets acquired	7,872
Cash paid	10,712
Cash and cash equivalents of the acquiree	(3,255)
	<hr/>
Cash outflow for the acquisition	7,457
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The fair value of the assets and liabilities acquired in business combinations does not differ from their carrying amount; neither do the contractual gross amounts receivable differ from the carrying amount.

The businesses acquired in 2020 generated consolidated losses and revenues of Euros 38,999 thousand and Euros 2,947 thousand, respectively, for the Group in the period from the acquisition date to the reporting date.

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(ii) Rest of business combinations in 2020

In addition to the foregoing, in relation to the acquisition of the business in Mexico in 2020 the Group acquired 37 operating outlets from franchisees in Chile.

The aggregate breakdown of the cost of the business combinations, the net assets acquired and goodwill is as follows:

	Thousands of Euros
Cost of the combinations, cash paid	7,977
Less, fair value of net assets acquired	(1,017)
Goodwill (note 10)	6,960

The goodwill generated on the business combinations is due to the outlets acquired having a good market position. This goodwill was considered tax deductible in its entirety.

The amounts recognised in 2020 by significant class of asset and liability at the acquisition date are as follows:

	Thousands of Euros
	Fair value
	2020
Property, plant and equipment (note 8)	1,017
Total net assets acquired	1,017
Cash paid	7,977
Cash and cash equivalents of the acquiree	-
Cash outflow for the acquisition	7,977

The fair value of the assets and liabilities acquired in business combinations does not differ from their carrying amount; neither do the contractual gross amounts receivable differ from the carrying amount.

The businesses acquired in 2020 generated ordinary revenue and consolidated profit of Euros 2,185 thousand and Euros 6 thousand, respectively, for the Group for the period from the acquisition date to the reporting date.

Had the 2020 acquisition taken place at 1 January 2020, the Group would have posted ordinary revenue and consolidated profit for the year ended 31 December 2020 of Euros 4,701 thousand and Euros 14 thousand, respectively.

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(8) Property, Plant and Equipment

Details and changes under this heading are as follows:

Details	Thousands of Euros					Total
	Land and buildings	Technical installations and machinery	Other install., equipment and furn.	Advances and tangible assets under construction	Other PPE	
<u>Cost</u>						
Balance at 31/12/2019	5,038	101,577	13,395	988	14,667	135,665
Additions	1	10,955	1,220	3,520	1,247	16,943
Additions due to business combinations	-	20,452	161	161	84	20,858
Derecognitions	(297)	(8,842)	(600)	(1,012)	(778)	(11,529)
Transfers from held for sale	1	(1,000)	(206)	-	(227)	(1,432)
Other transfers	1	3,261	76	(683)	(2,618)	37
Translation differences	(83)	(4,801)	(412)	(81)	(328)	(5,705)
Balance at 31/12/2020	4,661	121,602	13,634	2,893	12,047	154,837
Additions	13	11,640	519	16,544	1,284	30,000
Additions due to business combinations (note 7)	-	798	203	-	75	1,076
Derecognitions	(1,146)	(7,781)	(788)	(318)	(735)	(10,768)
Transfers from held for sale	-	3,877	562	-	621	5,060
Other transfers	-	6,386	108	(6,005)	-	491
Translation differences	(159)	(1,648)	(31)	622	(177)	(1,393)
Balance at 31/12/2021	3,369	134,874	14,207	13,736	13,117	179,303
<u>Amortisation or impairment</u>						
Amortisation at 31/12/2019	(3,025)	(53,604)	(7,553)	-	(9,578)	(73,760)
Impairment at 31/12/2019	-	(2,237)	-	-	-	(2,237)
Amortisation for the year	(106)	(9,158)	(1,011)	-	(1,468)	(11,743)
Depreciation due to business combinations	-	(15,176)	(1)	-	(2)	(15,179)
Derecognitions	248	4,903	226	-	588	5,965
Transfers from held for sale	-	431	132	-	202	765
Translation differences	57	2,768	193	-	310	3,328
Other transfers	1,212	(6,858)	2,173	-	3,396	(77)
Impairment loss (note 24)	-	(1,200)	-	-	-	(1,200)
Amortisation at 31/12/2020	(1,614)	(76,694)	(5,841)	-	(6,552)	(90,701)
Impairment at 31/12/2020	-	(3,437)	-	-	-	(3,437)
Amortisation for the year	(163)	(9,981)	(826)	-	(1,128)	(12,098)
Derecognitions	808	5,425	597	-	632	7,462
Transfers from held for sale	-	(1,177)	(129)	-	(242)	(1,548)
Translation differences	(512)	1,098	156	-	50	792
Impairment loss (note 24)	-	(2,699)	(496)	-	(26)	(3,221)
Amortisation at 31/12/2021	(1,481)	(81,329)	(6,043)	-	(7,240)	(96,093)
Impairment at 31/12/2021	-	(6,136)	(496)	-	(26)	(6,658)
<u>Carrying amount</u>						
At 31/12/2020	3,047	41,471	7,793	2,893	5,495	60,699
At 31/12/2021	1,888	47,409	7,668	13,736	5,851	76,552

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In 2021 and 2020, additions were made to technical installations and machinery, mainly reflecting the investments related to new outlets opened, the purchase of franchised outlets, improvements to existing outlets, to plants, and also reflecting the conversion of outlets to the “Pizza Hut” brand.

“Other installations, equipment and furniture” mainly reflect the acquisition of motorcycles, furnishings and IT equipment for outlets.

Disposals in 2021 and 2020 primarily include property, plant and equipment used in outlets which have been franchised, closed or sold, and items relating to the termination of rental contracts for certain outlets.

At 31 December 2021 and 2020 the Group had no commitments to acquire items of property, plant and equipment. PPE totalling Euros 1,040 thousand have been pledged as security. The Group does not have any unused property, plant and equipment for significant amounts.

In 2021 and 2020, the Group recognised impairment losses of Euros 3,221 thousand and Euros 1,200 thousand, respectively (see note 24). Said impairment loss is basically due to the impairment of assets used in the Group’s outlets. Impairment losses have been determined based on value in use. The impaired assets are primarily outlet fixtures and right-of-use.

The Group has taken out sufficient insurance policies to cover the risk of damage to its property, plant and equipment.

The breakdown of the cost of fully depreciated property, plant and equipment at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Technical installations and machinery	32,808	26,070
Other	7,428	7,654
	<u>40,236</u>	<u>33,724</u>

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(9) Leases

(a) Right-of-use assets and lease liabilities

The details and changes by class of right-of-use assets in 2021 and 2020 were as follows:

	Thousands of Euros
Carrying amount at 31 December 2019	<u>77,623</u>
Additions	2,353
Transfers (franchise repurchases) (note 9 (b))	8,208
Rental updates	(3,565)
Derecognitions	(19,855)
Additions due to business combinations	10,398
Amortisation and depreciation	(17,116)
Derecognitions from cumulative depreciation	4,177
Translation differences	<u>(1,579)</u>
Cost, attributed cost or revalued cost	87,088
Cumulative depreciation and impairment losses	<u>(26,497)</u>
Carrying amount at 31 December 2020	<u>60,591</u>
Additions	9,129
Transfers (franchise repurchases) (note 9 (b))	146
Rental updates	10,095
Derecognitions	(11,365)
Amortisation and depreciation	(15,454)
Derecognitions from cumulative depreciation	5,867
Other changes	570
Translation differences	<u>(1,024)</u>
Cost, attributed cost or revalued cost	90,224
Cumulative depreciation and impairment losses	<u>(31,669)</u>
Carrying amount at 31 December 2021	<u>58,555</u>

Most of the right-of-use assets correspond to leased premises where the Group conducts its activities as well as the plants and headquarters. Derecognitions in 2021 and 2020 correspond mainly to outlet closures or the sale of outlets to franchisees.

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(i) Nature and exposure to lease contract risk

The Group leases most of the buildings in which it conducts its activity. These include its own outlets and the plants and offices. Most lease contracts for outlets stipulate payment of a fixed rent that is revised annually in line with the consumer price index. The exception are outlets located in shopping centres, for which both a fixed rent and a sales-based variable rent are paid.

Property lease contracts also have various renewal and cancellation options. Renewal options are granted to be able to take best advantage of the area in those cases in which the business responds appropriately.

The initial lease period of each contract is usually 10 years but generally, with few exceptions, the Group has the option of ending the lease contract early without having to pay any kind of penalty, giving due notice as provided for in the contract. Leases on premises located in shopping centres are subject to a mandatory period of five years during which the Group cannot cancel the contract.

In any case, from a legal standpoint, the lease contracts can generally be cancelled with prior notice of three months, on average.

In addition, sometimes, when the Group goes from operating an outlet as an owner to its operation as a franchise, it maintains the original lease contract, which it subsequently subleases to the franchisee.

The Group has no obligations in respect of lease contracts that the franchisees enter into directly with the lessor or in respect of properties owned by franchisees.

(ii) Details and material amounts in lease contracts

The details and material amounts in lease contracts by asset class at 31 December 2021 in 2020 are as follows:

	Thousands of Euros	
	2021	2020
Fixed lease payments	27,484	28,990
Finance expenses from lease liabilities	5,137	5,504
Income from subleases	5,362	8,408
Lease liabilities	88,669	118,743

As previously mentioned, the initial lease term of each contract is usually of 10 years, with few exceptions, and contracts may be cancelled with notice, which is usually of three months. In these cases the Group has assessed two aspects:

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- The possibility that the option to cancel is exercised at some time during the contract lifetime, and
- Establishing a period in which it is considered reasonably certain that said cancellation may be executed.

The following factors were identified that affect the assessment of whether it is reasonably certain that the early cancellation option will not be exercised:

- Possible future relocation for demographic reasons: delivery zone coverage, socio-demographic changes and others.
- Possible future relocation due to business reasons: high sensitivity to the weighting of the lease price on the restaurant's profit and loss (<7% sales).
- High volatility and uncertainty in the real estate market in the long term.
- Forecast relocations underway and historical information as a reference.

The Group considers that these factors may imply that, during the contract lifetime, it may be cancelled early. This possibility increases the longer the time frame considered (higher probability of cancellation in the last few years of the contract than at the start), considering that in terms of 10 years it is determined that there is a higher probability of cancellation of the contract.

In conclusion, the Group has determined that, for lease contracts pertaining to commercial premises used as restaurants, if the initial duration is equal to or longer than 10 years and there is an early cancellation option without penalty, the contract duration is of 10 years.

(iii) Details of lease payments and liabilities

The analysis of the contractual maturity of lease liabilities, including future interest payable, is as follows:

	Thousands of Euros	
	2021	2020
Six months	13,262	15,289
Six months to one year	13,271	13,641
One to two years	21,909	24,494
Two to three years	18,040	21,623
Three to four years	14,285	18,551
Four to five years	10,822	13,332
More than five years	24,517	24,685
	<u>116,106</u>	<u>131,615</u>

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(b) Finance leases – Lessor (Net investment in subleases)

(i) Nature and exposure to finance lease contract risk

The Group has entered into sublease contracts with some of its franchisees in respect of the premises where the latter operate the brand. These sublease contracts are arranged for the same period of time as the franchise contract entered into with the franchisee (10 years). This is a mandatory period and the contracts cannot be cancelled early. The rent is generally a fixed amount, reviewed annually in line with the consumer price index.

(ii) Changes of net investment of finance lease contracts

Changes in net investment in finance lease contracts in 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Balance at 1 January	41,239	66,538
Additions	4,657	2,103
Derecognitions	(19,362)	(7,831)
Transfers for franchise repurchases (note 9 (b))	(146)	(8,208)
Finance income	835	1,429
Rental updates	(3,615)	(2,853)
Receipts	(5,362)	(8,408)
Translation differences	(1,585)	(1,531)
Balance at 31 December	<u>16,661</u>	<u>41,239</u>

Transfers in 2021 and 2020 correspond to lease contracts for franchisee outlets that have been acquired.

Derecognitions in 2021 and 2020 correspond mainly to the transfer of the head lease pursuant to lease contracts to the sublessees of the premises.

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(iii) Reconciliation of the gross amount receivable and the net investment in finance lease contracts

The reconciliation between the total gross amount of finance leases and the current value of the minimum amounts receivable is as follows:

	Thousands of Euros	
	2021	
	Non-current	Current
Gross amount receivable	14,861	3,993
Unaccrued finance income	(1,529)	-
Current value of finance leases receivable	12,668	3,993

	Thousands of Euros	
	2020	
	Non-current	Current
Gross amount receivable	38,498	8,168
Unaccrued finance income	(5,427)	-
Current value of finance leases receivable	33,071	8,168

(iv) Breakdown of the gross amount receivable by maturity of finance lease contracts

The gross amounts receivable for finance lease contracts, broken down by maturities, is as follows:

	Thousands of Euros	
	2021	2020
Up to one year	2,054	8,168
One to two years	1,939	7,765
Two to three years	3,649	7,399
Three to four years	3,406	6,826
Four to five years	2,489	5,589
More than five years	5,317	10,919
Less current part	(3,993)	(8,168)
Total non-current	14,861	38,498

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(10) Intangible Assets and Goodwill

Details of “Goodwill” and movement during the year are as follows:

	Thousands of Euros
Balance at 31/12/2019	349,683
Goodwill on business combinations for the year (note 7)	9,800
Translation differences	388
Derecognitions	(122)
Impairment losses for the year (note 24)	(119,495)
Balance at 31/12/2020	240,254
Goodwill on business combinations for the year (note 7)	554
Translation differences	(29)
Other	147
Impairment losses for the year (note 24)	(2,086)
Balance at 31/12/2021	238,840

In order to conduct impairment tests, goodwill and intangible assets with indefinite useful lives were assigned to the Group’s cash-generating units (CGU) in accordance with the country of the operation and the business segment to which it belongs.

Below is a summary of goodwill assignment by CGU (or groups of CGUs):

	Thousands of Euros	
	2021	2020
Spain	174,332	174,239
Portugal	32,870	32,723
Chile	23,063	24,919
Mexico (note 7(i))	2,840	2,840
Colombia	202	-
Ireland	5,533	5,533
	238,840	240,254

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As a consequence of the impact of the COVID-19 pandemic on the global economy (see Note 1), the Group devised a new 5-year business plan which factors the foreseen effects of the pandemic into the cash flow forecasts for the next few years and, as a result, in 2020 a loss was recorded for impairment of goodwill in an amount of Euros 119,495 thousand. In addition, in 2021 the Group updated its cash flow projections to the current economic situation in each of the markets in which it operates and, as a result, an impairment loss of goodwill of Euros 2,086 thousand was recognised which correspond to stores acquired in 2020 and 2019 from the CGU Chile (see Notes 1(a) and 24).

The recoverable amount of goodwill is determined on the basis of fair value calculations, less costs to sell or otherwise dispose of the item. These calculations are based on cash flow projections from the financial budgets approved by the Directors of the Parent Company for a period of five years for each of the CGU groups. Cash flows beyond the five-year period are extrapolated using the specific growth rates of the business in the country and sector in which it operates. Furthermore, the calculation of the terminal value does not exceed the long-term average growth base in each country for the home delivery business in which the Group operates.

The pre-tax discount rate assumptions and growth rates used in the impairment tests in the years 2021 and 2020 are as follows:

	2021				
	Spain	Portugal	Chile	Mexico	Ireland
Discount rate (WACC)	8.60%	8.80%	9.20%	9.80%	8.70%
Growth rate of income in perpetuity (g)	2.00%	1.90%	1.90%	1.90%	2.00%

	2020			
	Spain	Portugal	Chile	Ireland
Discount rate (WACC)	8.40%	8.70%	8.85%	7.51%
Growth rate of income in perpetuity (g)	1.50%	2.00%	2.00%	1.85%

These assumptions were used for the analysis of each CGU in the business segment.

To calculate the fair value of the different groups of CGUs over the 5-year budget periods, the Directors' business operating assumptions were for net annual revenue growth rates of between 2.5% and 10%, in accordance with the features of each market and estimated inflation. These annual sales growth rates have an almost proportionate impact on the other operating assumptions of the business, such as gross margin and EBITDA. Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

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The income and expense growth rates have been determined based on past performance and expectations for future market development. The discount rates used reflect specific risks related to the relevant segments.

In the sensitivity analysis of goodwill impairment per CGU group, only considering reasonably possible variations of the goodwill of the CGU Chile relating to the aforementioned stores, this would have resulted in an additional impairment of goodwill of Euros 1,172 thousand euros. Rest of CGU group considering reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity, would not have impact on the consolidated annual accounts at 31 December 2021

In the sensitivity analysis of goodwill impairment per CGU group, considering reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity, would have led to a negative impact on the consolidated annual accounts at 31 December 2020 as follows:

In the sensitivity analysis of goodwill impairment per CGU group, considering reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity, would have led to a negative impact on the consolidated annual accounts at 31 December 2020 as follows:

Discount rate (WACC)	Thousands of Euros		
	2020		
	Growth rate of income in perpetuity (g)		
	0.00	0.25	0.50
0.00	-	23,222	44,812
0.25	27,303	48,767	68,770
0.50	52,721	72,606	91,179

Similarly, considering reasonably possible negative variations of a range of between 25 and 50 points in the business operating assumptions in 2020, this would have resulted in an additional impairment of goodwill of Euros 29,963 thousand and Euros 59,926 thousand, respectively.

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Details of “Other intangible assets” and changes are as follows:

	Thousands of Euros					
	Concession, patents, licences	Trademarks	Contractual and other rights	Other intangible assets	Software applications	Total
<u>Cost</u>						
Balance at 31/12/2019	16,113	265,206	167,499	6	43,554	492,378
Additions	1,735	58	-	-	6,539	8,332
Derecognitions	(164)	-	(33)	(6)	(115)	(318)
Transfers from/to held for sale (note 6)	(46)	-	-	-	(12)	(58)
Additions due to initial business combinations (note 7)	1,102	-	-	-	37	1,139
Translation differences	(503)	-	(2)	-	485	(20)
Balance at 31/12/2020	18,237	265,264	167,464	-	50,488	501,453
Additions	1,802	-	-	-	7,783	9,585
Additions due to business combinations (note 7)	-	-	-	-	2	2
Derecognitions	(1,767)	(7,205)	(43)	-	(9,664)	(18,679)
Other transfers	(405)	-	-	-	-	(405)
Translation differences	202	-	-	-	(239)	(37)
Balance at 31/12/2021	18,069	258,059	167,421	-	48,370	491,919
<u>Amortisation or impairment</u>						
Amortisation at 31/12/2019	(1,412)	(148)	(4,392)	-	(26,422)	(32,374)
Impairment at 31/12/2019	8	-	-	-	(871)	(863)
Amortisation for the year	(1,417)	(425)	(6,699)	-	(6,508)	(15,049)
Additions due to business combinations (note 7)	(82)	-	-	-	-	(82)
Translation differences	137	-	(2)	-	167	302
Amortisation at 31/12/2020	(2,774)	(573)	(11,056)	-	(32,763)	(47,166)
Impairment at 31/12/2020	8	-	-	-	(871)	(863)
Amortisation for the year	(921)	(5,602)	(6,699)	-	(6,540)	(19,762)
Derecognitions	1,495	-	43	-	8,039	9,577
Translation differences	(123)	-	-	-	314	191
Derecognitions (impairment)	-	-	-	-	871	871
Impairment (note 24)	(42)	-	(931)	-	(6)	(979)
Amortisation at 31/12/2021	(2,323)	(6,175)	(17,712)	-	(30,950)	(57,160)
Impairment at 31/12/2021	(34)	-	(931)	-	(6)	(971)
<u>Carrying amount</u>						
At 31 December 2020	15,471	264,691	156,408	-	16,854	453,424
At 31 December 2021	15,712	251,884	148,778	-	17,414	433,788

Concessions, patents and licences mainly reflect the Euros 11,850 thousand entry fee under the agreement with Pizza Hut signed in 2018.

During 2021, the Group recognised impairment losses of Euros 979 thousand (see Note 24), of which Euros 931 thousand related to the contractual rights of its franchisees in Switzerland.

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In the process of allocating the purchase price of shares in Food Delivery Brands Group, S.A. (see note 7 (i)), which owns the “telepizza”, “Jeno’s pizza” and “Apache” brands, these were measured at their fair value for the amounts of Euros 236,030 thousand, Euros 998 thousand and Euros 28,178 thousand, respectively. Moreover, in the aforementioned business combination, the rights arising from the franchise contracts were also recognised at their fair value, which originally totalled Euros 167,485 thousand.

The “telepizza” brand and the “Apache” brand were both deemed intangible assets with indefinite lifetimes, as is the “Jeno’s Pizza” brand (see note 1) inasmuch as one of the obligations included in the agreements reached with Pizza Hut was that all of the Group’s outlets in Colombia be converted to the “Pizza Hut” brand within a maximum period of three years.

However, as a result of the early exercise of the purchase option by Yum;

Brands on the bare ownership of the brand (see Notes 1 and 4(f)), the usufruct of the brand has become finite and therefore has started to be amortised over its remaining useful life, which coincides with the usufruct period. In addition, as a result of the aforementioned early exercise of the purchase option on the bare ownership of the brand, a gain on the sale of Euros 6,269 thousand was generated (see Note 25).

In 2021 it was not considered necessary to perform an impairment test on the “telepizza” brand as it has a defined useful life and there are no indications of impairment that could indicate the potential impairment of this asset.

The recoverable amount of “telepizza” (in 2020) and “Apache” brand intangible assets with an indefinite useful life is determined by calculating the fair value less costs to sell. These calculations are based on cash flow projections from the budget and business plan approved by the Directors of the Parent Company and prepared by the management of the Parent Company. Beyond the projection period, cash flows are extrapolated using specific industry growth rates in each country that do not exceed the average long-term growth rate for the business. As a result of the agreement with Pizza Hut, in 2020 most of the value of the “telepizza” brand resided in the businesses in Spain and Portugal.

Based on the estimates and projections available to the Parent Company’s Directors, the forecast net cash flows fully justify the carrying amount of the intangible assets with an indefinite useful life that have been recognised. The main discount rate assumptions used when calculating fair value in 2021 and 2020 for intangible assets with an indefinite useful life, and the perpetuity growth rates, are as follows:

	2021	2020	
	<u>Apache</u>	<u>Telepizza</u>	<u>Apache</u>
Discount rate (WACC)	8.70%	8.46%	7.51%
Growth rate of income in perpetuity (g)	2.00%	1.50%	1.85%

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To calculate fair value over budget periods, the Directors' operating assumptions for the business consider 12.2% average growth of net revenues. These annual sales growth rates have an almost proportionate impact on the other operating assumptions of the business, such as gross margin and EBITDA. Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

According to a sensitivity analysis of impairment of intangible assets with an indefinite useful life, considering reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity or in the business operating assumptions, would have no impact on the consolidated annual accounts at 31 December 2021 and 2020.

As regards contractual rights with franchisees subject to amortisation, there are no indications of the potential impairment of these intangible assets, except in the case of the Swiss franchises.

The breakdown of remaining useful life, amortisation for the year, accumulated amortisation and the carrying amount of individually significant intangible assets at 31 December is as follows:

	Thousands of Euros				
Description of the asset	Remaining useful life	Amortisation for the year	Impairment	Accum. amortisation	Carrying amount
<u>2021</u>					
“telepizza” brand	27	5,177	-	5,177	223,706
“Jeno’s Pizza” brand	-	425	-	998	-
“Apache” brand	Indefinite	-	-	-	28,178
Contractual rights	23	6,699	931	17,712	148,778
		12,301	931	23,887	400,662
	Thousands of Euros				
Description of the asset	Remaining useful life	Amortisation for the year	Accumulated amortisation	Carrying amount	
<u>2020</u>					
“telepizza” brand	Indefinite	-	-	236,088	
“Jeno’s Pizza” brand	1	425	573	425	
“Apache” brand	Indefinite	-	-	28,178	
Contractual rights	24	6,699	11,056	156,408	
		7,124	11,629	421,099	

At 31 December 2021 and 2020 the Group has no commitments to purchase intangible assets.

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The breakdown of the cost of fully amortised intangible assets at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Computer software	19,155	22,102
Trademarks	998	-
Other	147	5
	<u>20,300</u>	<u>22,107</u>

(11) Non-current Financial Assets

The breakdown of other non-current financial assets at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Security and other deposits	4,136	5,354
Non-current trade receivables	10,267	10,205
Other loans and receivables	1,975	96
	<u>16,378</u>	<u>15,655</u>

These non-current financial assets are measured at amortised cost and their carrying amount does not differ significantly from their fair value.

Non-current trade receivables mainly reflect revenue receivable from franchising activities. The payment method for these sales transactions depends on what is contractually agreed with each franchisee. Deferred collection is usually agreed, with due dates falling between one and ten years, secured by the franchisees' operating businesses.

The average maturity of non-current trade receivables at 31 December 2021 and 2020 is 2.28 years and 2.27 years, respectively.

Since 2016, various Group companies granted loans to the Directors and personnel amounting, at 31 December 2021 and 2020, to Euros 478 and 3,794 thousand, respectively, which are due in 2021 and accrue interest at a market rate. They are classified as current financial assets at 31 December 2021 and 2020. The Group recognised a valuation allowance due to the impairment of these loans amounting to Euros 347 thousand and Euros 520 thousand in 2021 and 2020, respectively. In addition, since 2021, various Group companies have granted new loans to the Directors and personnel amounting, at 31 December 2021, to Euros 1,892 thousand, which are due in 2025 and accrue interest at a market rate.

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(12) Inventories

The breakdown at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Merchandise	15,358	15,639
Raw materials	691	894
Finished goods	192	82
Impairment	(980)	(1,754)
Total inventories	<u>15,261</u>	<u>14,861</u>

The cost of inventories recognised as an expense and included in the cost of goods sold is as follows:

	Thousands of Euros	
	2021	2020
Net purchases	116,003	106,631
Change in inventories	(486)	(2,411)
	<u>115,517</u>	<u>104,220</u>

The Group has long-term commitments to purchase certain inventories, which if breached would give rise to penalties of approximately Euros 2 million. This circumstance is not expected to arise (Euros 2 million in 2020).

At 31 December 2021 and 2020 the Group has no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

(13) Trade and Other Receivables

Details are as follows:

	Thousands of Euros	
	2021	2020
Trade receivables	53,354	41,698
Other receivables	3,614	3,451
Public entities	8,555	8,690
Impairment losses	(10,499)	(10,804)
Trade and other receivables	<u>55,024</u>	<u>43,035</u>

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Trade and other receivables comprise financial assets at amortised cost and their carrying amount does not differ significantly from their fair value.

Trade receivables mainly comprise uncollected amounts in respect of the normal billings to franchisees.

An analysis of impairment losses due to the credit risk associated with financial assets is as follows:

	Thousands of Euros		
	Assets at amortised cost		
	2021	2020	
	Current	Non-current	Current
<i>Current</i>			
Balance at 1 January	(10,804)	(3,825)	(16,672)
Charge	(410)	-	(292)
Application	490	-	9,325
Transfers	-	3,825	(3,825)
Reversal	51	-	94
Translation differences	174	-	566
Balance at 31 December	(10,499)	-	(10,804)
		(note 11)	

(14) Cash and Cash Equivalents

The breakdown at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Cash in hand and at banks	58,162	45,134
Cash and cash equivalents	58,162	45,134

Cash and cash equivalents recognised in the consolidated statement of financial position are the same as those reported in the statement of cash flows as the Group does not have any overdrafts.

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(15) Deferred Tax

The breakdown of deferred tax assets is as follows:

Deferred tax assets	Thousands of Euros				
	Non-deductible amortisation and depreciation	Tax credit and deductions	Leases	Other	Total
Balance at 31/12/2019	2,037	8,048	3,000	8,155	21,240
Additions due to business combinations	-	-	-	919	919
Transfers	-	2,976	-	(2,976)	-
Taken to the income statement (note 26)	778	4,533	(241)	2,484	7,554
Balance at 31/12/2020	2,815	15,557	2,759	8,582	29,713
Taken to the income statement (note 26)	(899)	4,320	(288)	(825)	2,308
Balance at 31/12/2021	1,916	19,877	2,471	7,757	32,021

The deferred tax assets recognised in the consolidated statement of financial position at 31 December 2021 and 2020 mainly correspond to tax loss carryforwards generated by the Group companies Food Delivery Brands Group, S.A., Food Delivery Brands, S.A., Mixor, S.A. and Telepizza Chile, S.A. (see note 26).

Other deferred tax assets in 2021 and 2020 include the tax effect of the impairment of trade receivables and other temporary differences in Chile amounting to Euros 6,654 thousand (4,137 thousand in 2020).

The Group has recognised deferred tax assets in respect of tax credits for loss carryforwards and deductions available for offset because the Directors consider these credits to be recoverable. This assumption is based on the business plans approved by the Directors. Due to the restrictions established in tax regulations on the deductibility of finance expenses, the tax group in Spain has been generating positive taxable income and will continue to do so in the next few years, other than 2020 and 2021 due to non-recurring expenses.

Based on estimated profit and loss for the coming years, the budgets approved by the Board of Directors, and considering the estimated tax adjustments to be applied to accounting profit or loss, the deferred tax assets recognised are expected to be recovered in 2026.

In the case of Spanish companies and under Royal Decree-Law 3/2018, the limits for the offset of tax loss carryforwards have been amended to 25% of the taxable income. Nevertheless and in any event, tax loss carryforwards up to a maximum of Euros 1 million may be offset in each tax period.

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The breakdown of deferred tax liabilities by item is as follows:

Deferred tax liabilities	Thousands of Euros			
	Freedom of depreciation/am ortisation	Intangible assets	Other	Total
Balance at 31/12/2019	12	102,742	1,122	103,876
Credit/(charge) to the income statement (note 26)	(8)	(1,781)	79	(1,710)
Balance at 31/12/2020	4	100,961	1,201	102,166
Credit/(charge) to the income statement (note 26)	-	(4,953)	(75)	(5,028)
Balance at 31/12/2021	4	96,008	1,126	97,138

The deferred tax liability related to intangible assets is due to the tax effect of various intangible assets, primarily trademarks, and the contractual rights that arose as a result of the business combinations in prior years, as explained in note 10. In the case of intangible assets with a definite useful life, this deferred tax is reduced every year as the intangible assets are amortised and will not generate any cash outflow from the Group.

(16) Equity

(a) Capital

On 4 October 2018, the Company was incorporated by means of the issuance of 3,600 ordinary shares, each with a par value of Euro 1, which were fully subscribed and paid in and which grant their holders the same economic and voting rights.

On 29 January 2021, the share capital was increased by Euros 169,735 by means of the issuance of 169,735 new shares, each with a par value of Euro 1, with a share premium of Euros 16,803,843, i.e. Euros 99 per new share created (see note 1). This capital increase was subscribed and fully paid in by Tasty Debtco S.à.r.l. and its purpose was to grant the aforementioned subordinated loan.

On 28 December 2021, the share capital was increased by Euros 32,201 by means of the issuance of 32,201 new shares, each with a par value of Euro 1, with a share premium of Euros 3,107,408, i.e. Euros 96.50 per new share created (see note 1). This capital increase was fully subscribed and paid in by certain employees of the Group.

At 31 December 2021 and 2020, Tasty Bidco, S.L.'s share capital is represented by 2,863,538 shares, each with a par value of Euro 1, with the only company that has a percentage equal to or greater than 10% at 31 December 2021 being Tasty Debtco S.à.r.l. with 99.99%

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(b) Share premium

At 31 December 2021 and 2020, this reserve is freely distributable, provided that, as a result of its distribution, the shareholders' equity does not fall below the share capital.

(c) Retained earnings

- Legal reserve

The Parent Company is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2020, the Parent Company does not have a legal reserve since it has incurred in losses since its incorporation in 2018.

- Shareholder contributions

At 31 December 2021 and 2020, this reserve is freely distributable.

(d) Translation differences

Translation differences are mainly those generated by subsidiaries with currencies other than the euro since the Food Delivery Brands Group subgroup joined the Group in May 2019.

(17) Other Current and Non-current Financial Liabilities

The breakdown of other current and non-current financial liabilities is as follows:

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Deposits and guarantees	601	-	1,261	-
Other payables	2,226	166	5,529	1,883
	<u>2,827</u>	<u>166</u>	<u>6,790</u>	<u>1,883</u>

Other payables at 31 December 2021 correspond to the Euros 2,226 thousand (3,116 thousand in 2020) payable to the former shareholder of the company acquired in Ireland in 2017 – The Good Food Company, Ltd., due in December 2025. At 31 December 2020, there was also an outstanding debt for the companies acquired in Mexico amounting to Euros 1,717 thousand (see Note 7 (i)).

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(18) Debentures, Bonds, Loans and Other Remunerated Liabilities with credit institutions

(a) Debentures and bonds

As a result of the takeover of the Food Delivery Brands Group, S.A. (see note 1), on 12 June 2019 it completed the refinancing of the Group's financial debt by means of the following transactions:

- The acquisition of all shares representing the share capital of Tasty Bondco 1, S.A. from Tasty DebtCo S.à.r.l., an affiliate of Tasty Bidco, S.L., which completed a Euro 335,000 thousand bond issue at a fixed interest rate of 6.25%, maturing in 2026. This bond is listed in the Luxembourg stock exchange's Euro MTF market.
- Early repayment of the Euros 200,000 thousand syndicated loan arranged by the Group with certain banks on 8 April 2016 and, simultaneously, the loan guarantees were released.

Moreover, linked to the financing obtained through issuance of the bond, the Group has a revolving credit facility syndicated for a maximum drawdown amount of Euros 45,000 thousand, at an interest rate of 3.25% and maturing in 2026. At 31 December 2021 and 2020 this credit line is fully drawn down by the investee Food Delivery Brands, S.A., (see Note 18 (b)).

The costs incurred by the issuance of the aforementioned bond amounted to Euros 18,207 thousand, which are included in the measurement at amortised cost of said debt.

The breakdown of debentures and bonds at 31 December 2021 and 2020 is follows:

Category	Final maturity	Limit	Thousands of Euros		Interest rate
			Balance 13/12/21	Balance 31/12/20	
<u>Senior</u>					
Bond	2026	335,000	335,000	335,000	6.25%
Arrangement costs			(12,212)	(14,533)	
Balance at 31 December			<u>322,788</u>	<u>320,467</u>	

Interest accrued in 2021 and 2020 totalled Euros 20,938 thousand. At 31 December 2021 and 2020, outstanding unpaid interest on these payables amounted to Euros 9,611 thousand. Likewise, Euros 2,321 thousand and Euros 2,122 thousand were recognised in 2021 and 2020, respectively, under interest finance expenses relating to the measurement of the bond issuance costs at amortised cost.

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The Group has pledged the shares of Food Delivery Brands, S.A., Telepizza Chile, S.A., Luxtor, S.A. and Telepizza Portugal Comercio de Productos Alimentares, S.A. to secure the above-mentioned bond. The aforementioned shares directly or indirectly make up practically all of the assets and liabilities pledged as collateral.

There are also obligations relating to shareholder information and the verification of compliance with certain ratios, including, in the case of significant investments, increases in indebtedness, dividend payment or the sale of material assets. At 31 December 2021 and 2020, all the obligations were fulfilled.

(b) Non-current loans and borrowings

The breakdown of current financial debt in the consolidated statement of financial position at 31 December 2021 and 2020 is as follows:

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Revolving credit facility (note 18 (a))	45,000	-	45,000	-
ICO loan	38,468	800	10,000	-
Loans to related parties	3,489	106	-	-
Unpaid accrued interest	-	655	-	447
Reverse factoring lines	-	7,095	-	3,565
Credit facility	-	2,067	-	2,307
Other payables	282	-	-	-
	<u>87,239</u>	<u>10,723</u>	<u>55,000</u>	<u>6,319</u>

On 5 June 2020, Food Delivery Brands, S.A. and Banco Santander, S.A, arranged a loan amounting to Euros 10,000 thousand pursuant to ICO guarantees. This loan accrues interest at a rate of 3.61% and matures in 2025.

On 22 December 2020, Food Delivery Brands, S.A., as the borrower, and Banco Santander, S.A. and Instituto de Crédito Oficial E.P.E., as lenders, signed a framework agreement to grant bilateral loans, and signed the contracts for said loans amounting to Euros 30,000 thousand and Euro 10,000 thousand, respectively, to be used to tackle working capital requirements arising from the COVID-19 health crisis and to repay the Euros 10,000 relating to the ICO Santander loan mentioned above in its entirety. These bilateral loans accrue interest at an annual rate of 3.75% and their final maturity date is 1 November 2025.

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The arrangement of this framework agreement and of the bilateral loans was subject to prior or simultaneous compliance with conditions which, most notably, include the main shareholder of Food Delivery Brands Group, S.A. granting subordinated loans. All suspensive conditions included in the framework agreement were fulfilled and on 2 February 2021 the loans entered into force.

On 22 December 2020, Food Delivery Brands Group, S.A., as borrower, and BG Select Investments (Ireland) Limited, as lender, signed a subordinated loan agreement undertaking to finance the Group's liquidity requirements up to a maximum amount of Euros 6,552 thousand by means of two funding tranches. This loan accrues interest payable quarterly and matures on 16 November 2026. At 31 December the amount of this loan with capitalised interest amounts to Euros 3,489 thousand.

Disbursement of this loan was subject to the ICO's approval of the aforementioned bilateral loans. The funds for the first tranche were released on 29 January 2021 and the loans became effective.

The credit facility corresponds to Telepizza Chile, S.A. to tackle various local payment obligations.

Reverse factoring lines correspond to the 90-day extension of payment granted by financial institutions in reverse factoring operations with suppliers.

Liability balances classified under financing activities are reconciled as follows:

	Thousands of Euros		
	Non-current financial debts	Current financial debts	Total
Balance at 1 January 2021	375,467	15,930	391,397
Accrued interest	453	23,288	23,741
Interest paid	-	(28,111)	(28,111)
Finance expense due to the updating of rental rates	-	5,137	5,137
(Redemption)/issuance of debt	32,408	3,290	35,698
Amortised cost (arrangement costs)	2,499	-	2,499
Transfers between current and non-current	(800)	800	-
Balance at 31 December 2021	410,027	20,334	430,361

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	Thousands of Euros		
	Non-current financial debts	Current financial debts	Total
Balance at 1 January 2020	317,778	16,298	334,076
Accrued interest	-	25,180	25,180
Interest paid	-	(34,418)	(34,418)
Finance expense due to the updating of rental rates	-	5,498	5,498
(Redemption)/issuance of debt	55,000	3,372	58,372
Amortised cost (arrangement costs)	2,689	-	2,689
Balance at 31 December 2020	375,467	15,930	391,397

(19) Provisions

The breakdown of other provisions and their classification as current or non-current is as follows:

	Thousands of Euros			
	2021		2020	
	Non-current	Current	Non-current	Current
Litigation, claims and inspections	493	-	558	-
Obligations to employees	1,122	63	1,011	2,953
Other provisions	-	51	-	51
Total	1,615	114	1,569	3,004

The breakdown and changes of provisions in 2021 and 2020 are as follows:

	Thousands of Euros			
	Litigation, claims and inspections	Obligations to employees	Other provisions	Total
At 01 January 2020	700	-	34	734
Additions due to business combinations	-	136	-	136
Allowances	-	4,196	17	4,213
Payments	(142)	(328)	-	(470)
Translation differences	-	(40)	-	(40)
At 31 December 2020	558	3,964	51	4,573
Allowances	-	28	-	28
Derecognitions	(65)	(364)	-	(429)
Payments	-	(2,394)	-	(2,394)
Translation differences	-	(49)	-	(49)
At 31 December 2021	493	1,185	51	1,729

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(a) Litigation, claims and inspections

The Group has certain administrative claims ongoing, which it estimates could give rise to a payable of approximately Euros 500 thousand.

(b) Obligations to Employees

Provisions for obligations to employees correspond mainly to an employment commitment with the Group's workers in certain countries, as well as certain severance agreements with employees.

(c) Contingencies

The Group has contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 2,836 thousand and Euros 3,479 thousand at 31 December 2021 and 2020, respectively. No significant liabilities are expected to arise from these guarantees.

(20) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	2021	2020
Trade payables and other payables	80,207	76,244
Public entities	7,648	6,497
Salaries payable	8,070	7,497
	<u>95,925</u>	<u>90,238</u>

At 31 December 2021 and 2020, trade payables include Euros 18,879 thousand and Euros 12,846 thousand, respectively, payable to financial institutions for reverse factoring transactions.

The balance of remuneration pending payment at 31 December 2021 and 2020 respectively includes Euros 836 thousand and Euros 2,215 thousand for adjustments pending payment in connection with the increase in the minimum wage in Spain.

Trade and other payables comprise financial liabilities at amortised cost and their carrying amount does not differ significantly from their fair value.

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Average supplier payment period. Additional Provision Three. “Duty of Information” pursuant to Law 15/2010 of 5 July

Details of late payments to suppliers by Spanish consolidated companies are as follows:

	2021	2020
	Days	Days
Average supplier payment period	110	94
Transactions paid ratio	102	112
Transactions payable ratio	175	65
	Thousands of Euros	Thousands of Euros
Total payments made	109,919	112,701
Total payments outstanding	32,225	28,526

(21) Ordinary revenue from contracts with customers

Details are as follows:

	Thousands of Euros	
	2021	2020
Outlet sales to customers	183,564	167,921
Supply sale to franchisees and others	119,753	107,961
Royalties	70,294	61,182
Revenue from franchising activity	2,810	4,043
Other services rendered to franchisees	8,048	3,733
Income from incentives	4,030	-
Revenue from initial fees	2,580	2,517
	<u>391,079</u>	<u>347,357</u>

All of the revenue indicated above is generated at a specific point in time, except revenue from initial fees and royalties, which is generated over time.

Details of revenue by geographical segment are provided in note 5.

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(22) Personnel expenses

The breakdown of personnel expenses in 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Salaries, wages and similar	77,000	79,584
Social Security	9,671	11,034
Termination benefits	5,617	4,533
Other employee benefits expenses	89	469
Total personnel expenses	92,377	95,620

The average number of full-time equivalent employees in the Group during 2021 and 2020, distributed by category, is as follows:

	Number	
	2021	2020
Management personnel	41	45
Outlet managers	482	503
Other personnel	6,486	6,380
	7,009	6,928

At year end the distribution by gender of the Group's personnel and the Parent Company's Directors is as follows:

	Number			
	2021		2020	
	Male	Female	Male	Female
Directors	8	1	7	1
Management personnel	32	6	11	3
Outlet managers	221	258	139	153
Other personnel	3,638	2,596	2,156	1,366
	3,899	2,861	2,313	1,523

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The average number of Company employees with a minimum disability rating of 33% (or local equivalent) in 2021 and 2020, distributed by category, is as follows:

	Number	
	2021	2020
Technicians	1	1
Other personnel	84	58
	<u>85</u>	<u>59</u>

(23) Other Expenses

The breakdown of other expenses is as follows:

	Thousands of Euros	
	2021	2020
Fees and royalties	29,702	26,449
Transport	15,286	14,679
Advertising and publicity	25,903	19,251
Utilities	14,044	13,606
Other expenses	38,279	40,314
	<u>123,214</u>	<u>114,299</u>

Fees and royalties include mainly the royalties paid to the Yum! Group for use of the “Pizza Hut” trademark and the partnership fee (see note 1).

(24) Impairment of Non-current Assets

Details at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Impairment of other intangible assets (note 10)	(979)	-
Impairment of goodwill (note 10)	(2,086)	(119,495)
Impairment of property, plant and equipment (note 8)	<u>(3,221)</u>	<u>(1,200)</u>
	<u>(6,286)</u>	<u>(120,695)</u>

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(25) Other profit/(loss)

Details at 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	2021	2020
Profit/(loss) from the sale of Telepizza's bare ownership (Note 10)	6,269	-
Profit/(loss) from net investment in subleases	1,957	3,252
Profit/(loss) on derecognition of other intangible asset	(1,075)	-
Profit/(loss) on sale of property, plant and equipment	92	(1,026)
	<u>7,243</u>	<u>2,226</u>

(26) Income Tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax profit or loss, with the income tax expense recognised in the consolidated income statement for 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	2020
Pre-tax loss		
from continuing operations	(22,318)	(160,465)
Consolidation goodwill impairment	-	116,410
Tax losses not recognised as tax credits	19,744	14,967
	<u>(2,574)</u>	<u>(29,088)</u>
Expected tax expense/(income) at the tax rate applicable to the Parent Company (25%)	(643)	(7,272)
Non-deductible expenses at the tax rate	53	456
Withholdings for payments to non-residents	4,189	3,263
Recognition (adjustment) of deferred taxes	(2,515)	-
Expense/(income) due to different tax rates	(643)	136
Other changes	<u>(443)</u>	<u>-</u>
Tax income	<u>(2)</u>	<u>(3,417)</u>

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Income tax payable/(recoverable) for 2021 and 2020 is calculated as follows:

	Thousands of Euros	
	2021	2020
Tax income	(2)	(3,417)
Deductible temporary differences and tax credits (note 15)	2,308	7,554
Taxable temporary differences (note 15)	5,023	1,710
Payments on account and withholdings	(7,905)	(5,508)
Other changes	709	-
Income tax payable/(recoverable)	<u>138</u>	<u>339</u>

In accordance with prevailing legislation in each country, losses declared may be carried forward to be offset against profits of the subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection within the periods and limits established by applicable legislation.

At 31 December 2021 and 2020, the Group has recognised the following deferred tax assets amounting to Euros 12,609 thousand and Euros 15,557 thousand (see note 15) in respect of certain tax loss carryforwards from the tax group in Spain, from Telepizza Chile, S.A. and from other countries (Ecuador and Mexico).

Total tax loss carryforwards pending of compensation of the aforementioned countries are as follows:

Year	Thousands of Euros				
	2021			2020	
	Spain	Chile	Other	Spain	Chile
2009	-	-	-	4,234	-
2010	-	-	-	628	-
2011	13,725	-	-	14,366	-
2012	4,343	-	-	4,343	-
2013	1,182	-	-	1,182	-
2014	-	-	-	491	-
2015	-	-	286	-	-
2016	1,539	-	1,724	-	-
2017	-	-	792	-	-
2018	-	-	1,915	3,293	-
2019	757	10,823	-	-	11,024
2020	15,340	11,783	3,749	9,596	12,807
2021 (estimated)	-	16,529	1,550	-	-
Total	<u>36,886</u>	<u>39,135</u>	<u>10,016</u>	<u>38,132</u>	<u>23,831</u>

Furthermore, a tax loss carryforward was generated at Tasty Bidco, S.L. in 2020 for Euros 15,778 thousand prior to its inclusion in the tax group in Spain which is not recognised as deferred tax assets.

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At 31 December 2021 and 2020 the Group has the following unrecognised deferred tax assets in respect of tax loss carryforwards of companies in Switzerland and Colombia (in 2020 also in Poland and Czech Republic):

Year	Thousands of Euros	
	2021	2020
2013	161	178
2014	4,086	4,529
2015	3,459	4,100
2016	549	1,765
2017	1,952	1,510
2018	662	1,467
2019	916	1,875
2020	3,991	4,424
Total	<u>15,776</u>	<u>19,848</u>

At 31 December 2021, the Group has non-deductible interest arising from the Group companies in Spain and Portugal for Euros 180,238 thousand Euros (169,697 thousand in 2020) and Euros 1,620 thousand (Euros 13,217 thousand in 2020), available for future offset indefinitely. The breakdown is as follows:

Year	Thousands of Euros	
	2021	2020
2012	33,042	33,042
2013	38,045	38,045
2014	48,939	53,296
2015	15,938	20,153
2016	8,711	11,356
2017	1,620	2,000
2019	12,130	8,249
2020	12,081	16,774
2021 (estimated)	<u>11,352</u>	<u>-</u>
	<u>181,858</u>	<u>182,914</u>

The Group has deductions recognised as deferred tax assets amounting to Euros 7,268 thousand and, according to the tax returns filed by Group companies in previous years and estimates for 2021, the Group has the following deductions pending application:

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Year	Thousands of Euros	
	2021	
	RD	RD&I
2019	884	-
2020	2,565	112
2021 (estimated)	4,109	366
	7,558	478

In 2020, the following inspections commenced at Group companies:

- The subsidiary Telepizza Chile, S.A. was in the midst of a general tax inspection with respect to income tax and transfer prices in relation to the fiscal year 2017. This inspection procedure was completed in 2021 without any significant impact on the financial statements of this Group company.
- The consolidated tax group in Spain: In October 2020, notification was received of the start of partial tax inspection proceedings in respect of corporate income tax relating to the 2014-2020 period. These proceedings refer to the consolidated tax group in force in that period, which was headed by Food Delivery Brands Group, S.A., and whose composition was different to the current one. On 20 December 2021, the tax auditors signed the tax assessments, which mainly consider certain expenses from previous years to be non-deductible. The aforementioned assessments have resulted in a reduction of taxable income for previous years amounting to Euros 2,580 thousand and a reduction of tax payable amounting to Euros 289 thousand.

In addition, pursuant to current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. In addition to those mentioned above, at the date on which these consolidated annual accounts were authorised for issue, the principal Group companies have open to inspection by the taxation authorities all main applicable taxes and income tax since 1 January 2016.

Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any case, the Parent Company's Directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

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(27) Commitments

As stated in notes 8 and 10, at 31 December 2021 and 2020 the Group has no relevant commitments relating to investing activities.

(28) Information on the Parent Company's Directors and Senior Management Personnel

In 2021 and 2020 the Parent Company's Directors received remuneration (including severance pay) amounting to Euros 3,774 thousand and Euros 880 thousand, respectively. Moreover, at 31 December 2021 and 2020, the Group has extended loans or advances to the Directors totalling Euros 745 thousand and Euros 1,392 thousand, respectively. These loans are secured by the Directors with certain shares of the Parent Company. The main conditions and characteristics of the loans to the Directors are described in note 11. Life insurance premiums of Euros 3 thousand and Euros 6 thousand were paid on behalf of the Directors in 2021 and 2020, respectively, and the savings plan contributions made amounted to Euros 73 thousand and Euros 191 thousand, respectively.

Public liability insurance premiums paid on behalf of the Directors in 2021 and 2020 amounted to Euros 52 thousand and Euros 38 thousand, respectively.

In 2021 and 2020, the members of the Group's Senior Management received remuneration (including severance pay) amounting to Euros 5,760 thousand and Euros 1,479 thousand. Moreover, at 31 December 2021 and 2020, the Group has extended loans or advances to Senior Management totalling Euros 830 thousand and Euros 1,216 thousand, respectively. These loans are secured with certain shares of the Parent Company. The main conditions and characteristics of the loans to Senior Management are described in note 11. Life insurance premiums of Euros 5 thousand and Euros 6 thousand were paid on behalf of Senior Management in 2021 and 2020, respectively, and the savings plan contributions made amounted to Euros 42 thousand and Euros 53 thousand, respectively.

At 31 December 2020, the Group had recognised provisions to tackle severance agreements with Directors amounting to Euros 2,388 thousand (see note 19).

In 2021 and 2020 the Parent Company's Directors did not carry out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or Group companies.

Conflicts of interest concerning the Directors

In 2021 and 2020 the Directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

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TASTY BIDCO, S.L.
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Notes to the Consolidated Annual Accounts

(29) Environmental Information

The Group's operations are subject to legislation governing environmental protection and health and safety in the workplace (environmental protection and occupational health and safety laws). The Group complies substantially with these laws and has established procedures designed to encourage and ensure compliance.

The Group has adopted the appropriate measures aimed at protecting the environment and minimising any environmental impact, in accordance with prevailing legislation. No provision for environment-related liabilities and charges was recognised during the year, as no contingencies exist in this regard.

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group did not make any investments, incur any expenses or receive any significant grants related with these risks during the years ended 31 December 2021 and 2020.

(30) Audit Fees

Fees relating to services provided by the firm (KPMG Auditores, S.L.) auditing the Group's annual accounts for the years ended 31 December 2021 and 2020, regardless of when they were invoiced, are as follows:

	Thousands of Euros	
	2021	2020
Audit services	226	215
Other assurance services	3	3
	<u>239</u>	<u>218</u>

The amounts detailed in the above table include the total fees for services rendered in 2021 and 2020, irrespective of the date of invoice.

Other entities affiliated with KPMG International invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2021 and 2020:

	Thousands of Euros	
	2021	2020
Audit services	104	90
Other services	19	19
	<u>125</u>	<u>109</u>

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TASTY BIDCO, S.L.
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Notes to the Consolidated Annual Accounts

(31) Events after the Reporting Period

The current geopolitical and economic uncertainty as result of the conflict in Ukraine is causing a general increase in the prices of raw materials and energy products, as well as disruptions in the supply chains, which could affect the Group's businesses. Although the Group would pass on such increases to the franchisees and the consumers, it could be hampered by the duration and intensity of this environment and the capacity of the markets to absorb it.

At the date of authorization for issue of the consolidated annual accounts, it is not possible to make a reliable estimate of the effects resulting from this situation. During 2022, the Parent's directors will assess the impact of the aforementioned events on the equity and financial position at 31 December 2022 and on the results of operations, including assets impairment, and cash flows for the year then ended.

(32) Risk Management Policy

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits. The Group therefore uses derivatives to mitigate certain risks.

Risks are managed by the Group's Finance Department in accordance with policies approved by the Board of Directors of the Parent Company. This department identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The Board of Directors issues global risk management policies, as well as policies for specific issues such as currency risk, interest rate risk, liquidity risk, the use of derivative and non-derivative instruments, and investments of cash surpluses.

Interest rate risk

Variations in interest rates affect the fair value of assets and liabilities that accrue interest at fixed rates, as well as the future cash flows of assets and liabilities indexed to a variable interest rate. Such variations could have a significant impact on the cost of debt and the return on investments.

The objective of interest rate risk management is to achieve a balanced debt structure that minimises the cost of the debt over several years with reduced income statement volatility. Exhaustive monitoring of trends in benchmark interest rates is essential to ensure that any substantial fluctuations identified are evaluated and that optimum hedging is arranged, where necessary, to minimise the risk, assuring a reasonable interest rate.

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The structure of financial risk at 31 December 2021 and 2020 is as follows:

Type of financing	Interest rate	Thousands of Euros	
		2021	2020
Bond	Fixed (6.25%)	322,788	320,468
Revolving facility	Fixed (3.25%)	45,000	45,000
ICO loan	Fixed (3.61%)	39,268	10,000
Loans to related parties	Fixed rate capitalisable	3,595	-
Total		<u>410,651</u>	<u>375,468</u>

The benchmark interest rates for the debt undertaken by Group companies is primarily a fixed rate of 6.25%, and interest on the revolving credit facility is charged at 3.25%.

At 31 December 2021 and 2020, had interest rates been 25 basis points higher or lower, with the other variables remaining constant, this would not have affected income for the year, because almost all of the Group's indebtedness is at a fixed rate.

Currency risk

As the Food Delivery Brands Group operates internationally, fluctuations in exchange rates for financial or commercial transactions in foreign currencies represent another fundamental financial risk to which the Group is exposed. -

Currency risk mainly arises from three types of transactions:

- Commercial transactions in foreign currency.
- Intragroup payables in foreign currency.
- Net assets deriving from net investments in foreign operations with functional currencies other than the Euro (risk of exchange rate fluctuations on translation of the financial statements of these companies in the consolidation process).

The Group has no significant balances or commercial transactions denominated in foreign currencies other than the functional currencies of each country where the Group operates.

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At 31 December 2021, had the Euro weakened/strengthened by 10% against the Chilean Peso, the Colombian Peso and the Mexican Peso with the other variables remaining constant, consolidated post-tax loss would have been Euros 1,862 thousand lower or higher (Euros 1,946 thousand in 2020), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. Translation differences recognised under “Other comprehensive income” would have increased by Euros 3,159 thousand, mainly due to translation differences on foreign operations.

Liquidity risk

The Group’s liquidity policy consists of arranging credit facilities and holding marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling it to settle market positions relating to short-term investments immediately, thus ensuring that this financial risk is minimised.

The Group’s exposure to liquidity risk at 31 December 2021 and 2020 is shown below. These tables present an analysis of financial liabilities by remaining contractual maturity dates.

Thousands of Euros						
	Amount at 31/12/2021	Future cash flow maturities	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Bonds and loans from credit institutions						
Principal	420,095	429,162	7,095	2,067	420,000	-
Interest	10,266	149,161	10,266	18,710	120,185	-
Trade and other accounts payable	95,925	95,925	95,925	-	-	-
Total	526,286	674,248	113,286	20,777	540,185	-

Thousands of Euros						
	Amount at 31/12/2020	Future cash flow maturities	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Bonds and loans from credit institutions						
Principal	381,786	395,872	5,872	-	55,000	335,000
Interest	9,611	91,602	10,469	10,469	83,750	6,979
Trade and other accounts payable	90,238	90,238	90,238	-	-	-
Total	481,635	577,712	106,579	10,469	138,750	341,979

(Continued)

TASTY BIDCO, S.L.
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Lease payment maturities are detailed in note 9.

Payables to public entities are not included in trade and other payables.

Future cash flow maturities include the loan principal plus interest based on contractual interest rates at year end.

Approved investments not recognised as property, plant and equipment under construction at the reporting date are not included.

Credit risk

Credit risk is the risk of financial loss for the Group in the event that a customer or counterparty to a financial instrument fails to discharge a contractual obligation, and mainly arises on the Group's trade receivables and its investments in debt instruments.

The financial instruments that are particularly exposed to credit risk mainly include net investment in subleases, trade and other receivables and cash and cash equivalents. The Group does not have significant concentrations of credit risk. This risk is distributed across a number of banks whose services the Group uses and the customers with which it operates.

Maximum exposure to credit risk through net investment in subleases, trade and other receivables and cash and cash equivalents is as follows:

	Thousands of Euros	
	2021	2020
Non-current financial assets	16,378	15,655
Net investment in subleases	16,661	41,239
Trade and other receivables	55,024	43,035
Cash and cash equivalents	58,162	45,134
	<u>146,225</u>	<u>145,063</u>

(i) Trade receivables

The Group analyses receivables by type of customer. The Group operates proprietary outlets and also acts as a franchiser, organising marketing activities for the brands and the supply chain. As such, the Group has receivables associated with the franchising activity.

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The Group's receivables arising from sales at its own restaurants are minimal and subject to a low level of credit risk in view of the short settlement period and the nature of the settlement, inasmuch as customers generally pay in cash or by credit card in restaurants.

Receivables arising from the franchising activity include those from franchises under proprietary brands. For these receivables, the Group performs a detailed analysis of the expected credit losses.

The Group's exposure to credit risk is influenced primarily by the individual characteristics of each customer. However, the Group also considers the factors that could affect the credit risk of its customer base, including default risk associated with the sector and the country in which the customers operate, and even the external rating of a particular country.

For trade receivables, the Group applies the simplified approach permitted under IFRS 9, which requires expected credit losses to be recognised at initial recognition of the accounts receivable. The Group determines lifetime expected credit losses of the financial assets on a collective basis, grouped by geographical area. The Group has established a provision matrix based on its historical credit loss experience, adjusted for factors that are specific to the borrowers and economic conditions:

Maturity	Thousands of Euros					
	Europe			Latin America		
	%	Amount	Impairm.	%	Amount	Impairm.
Current	0.06%	32,529	(18)	0.00%	6,784	-
Less than 3 months	0.24%	1,485	(4)	11.29%	760	(86)
3 to 6 months	26.52%	600	(159)	44.13%	487	(215)
6 months to 1 year	89.87%	145	(130)	0.00%	172	-
More than 1 year	99.31%	7,771	(7,717)	82.76%	2,622	(2,170)
	18.88%	<u>42,530</u>	<u>(8,029)</u>	22.82%	<u>10,824</u>	<u>(2,470)</u>
2020						
Maturity	Thousands of Euros					
	Europe			Latin America		
	%	Amount	Impairm.	%	Amount	Impairm.
Current	0.00%	20,467	-	7.60%	5,442	(413)
Less than 3 months	0.00%	2,620	-	56.25%	456	(257)
3 to 6 months	27.14%	814	(221)	74.70%	781	(583)
6 months to 1 year	0.00%	546	-	76.60%	1,244	(953)
More than 1 year	88.99%	8,290	(7,377)	96.42%	1,036	(999)
	23.21%	<u>32,738</u>	<u>(7,598)</u>	35.78%	<u>8,960</u>	<u>(3,206)</u>

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TASTY BIDCO, S.L.
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Notes to the Consolidated Annual Accounts

Nevertheless, for trade receivables that are more than 360 days overdue, the Group determines expected credit losses on an individual basis. In 2021, the Group recognised an impairment of Euros 410 thousand (Euros 292 thousand in 2020) in respect of receivables exposed to credit risk.

(ii) Cash and cash equivalents

Credit risk related to financial instruments in the form of cash held at banks is minimal insofar as the parties to the transaction are banks that have been awarded a high rating by international rating agencies.

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TASTY BIDCO, S.L. AND SUBSIDIARIES
Details of Shareholdings in Group Companies

31 December 2021

(Expressed in thousands of Euros)

	Registered office	Percentage shareholding		Capital	Reserves	Profit/(loss)	Total equity
		Direct	Indirect				
Food Delivery Brands Group, S.A. (1)	Madrid	84.3%	-	25,180	369,221	1,627	396,028
Food Delivery Brands, S.A. (1)	Madrid	-	100%	16,380	58,553	(15,948)	58,985
Mixor, S.A. (3)	Madrid	-	100%	3,215	(12,609)	1,020	(8,374)
Telepizza Gestión, S.A. (3)	Madrid	-	100%	1,085	251	743	2,079
Foodco Bondco, S.A. (1)	Madrid	-	100%	5,214	386,660	3,256	395,130
Telepizza Chile, S.A. (2)	Santiago de Chile	-	100%	29,038	15,288	(21,819)	(22,507)
Telepizza Portugal Comercio de Produtos Alimentares, S.A (1)	Lisbon	-	100%	1,900	9,586	3,992	15,478
Telepizza Guatemala, S.A (3)	Guatemala	-	100%	1	439	-	440
Luxtor, S.A. (1)	Avila	-	100%	6,128	1,261	5,758	13,147
Alimentos de la Costa Costahut, S.A. (3)	Ecuador	-	100%	1	(31)	(13)	(43)
Sociedad de Turismo Sodetur, S.A. (3)	Ecuador	-	100%	6,689	2,655	(2,057)	7,287
Telepizza Industries International Telepizzainter, S.A.	Ecuador	-	100%	1	18	(391)	(372)
Inverjenos S.A.S. (1)	Bogota	-	100%	746	9,975	(4,840)	5,881
Telepizza Shanghai S.L. (3)	Shanghai	-	100%	104	52	(26)	130
Telepizza Switzerland GmbH(3)	Berne	-	100%	18	(2,993)	(413)	(3,388)
The Good Food Company Ltd (3)	Ireland	-	51%	-	6,507	2,982	9,489
Mooncharm Limited (3)	Ireland	-	51%	-	1,554	1,735	3,289
TDS Telepizza, S.L. (3)	Spain	-	100%	4	10,293	(237)	10,059
Insular Procurement & Services, S.L. (3)	Spain	-	100%	3	(135)	1,085	953
IBERIFOOD, SAP.I. SA de C.V.	Mexico	-	100%	-	5,841	(227)	5,614
Desarrolladora Inmobiliaria de Restaurantes, S. de R. L. de C. V.	Mexico	-	100%	7,017	(2,694)	(3,634)	689
Expertos en Repartos a Domicilio, S. de R.L. de C.V.	Mexico	-	100%	-	145	(17)	128
Expertos en Restaurantes, S. de R.L. de C.V.	Mexico	-	100%	-	483	275	758

(1) Statutory accounts audited

(2) Statutory accounts of main companies of the subgroup audited

(3) Statutory accounts not audited

(4) Dormant companies

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2021, in conjunction with which it should be read.

TASTY BIDCO, S.L. AND SUBSIDIARIES
Details of Shareholdings in Group Companies

31 December 2020

(Expressed in thousands of Euros)

	Registered office	Percentage shareholding		Capital	Reserves	Profit/(loss)	Total equity
		Direct	Indirect				
Food Delivery Brands Group, S.A. (1)	Madrid	84.3%	-	25,180	441,515	(72,294)	394,401
Food Delivery Brands, S.A. (1)	Madrid	-	100%	16,380	47,822	(3,056)	61,146
Mixor, S.A. (3)	Madrid	-	100%	3,215	(5,515)	(7,095)	(9,394)
Telepizza Gestión, S.A. (3)	Madrid	-	100%	1,085	(533)	785	1,336
Foodco Bondco, S.A. (1)	Madrid	-	100%	5,214	436,813	(70,153)	371,874
Telepizza Chile, S.A. (2)	Santiago de Chile	-	100%	2,462	23,317	(10,902)	14,873
Telepizza Portugal Comercio de Produtos Alimentares, S.A (1)	Lisbon	-	100%	1,900	63,552	2,990	68,442
Telepizza Poland Sp. Z o.o. (1)	Warsaw	-	100%	13,101	(10,404)	(1,635)	68
Telepizza Guatemala, S.A (3)	Guatemala	-	100%	1	408	(3)	406
Luxtor, S.A. (1)	Avila	-	100%	6,128	(3,374)	4,636	7,389
Telepizza Ecuador, S.A. (3)	Quito	-	100%	3,015	(2,588)	(1,075)	(648)
Alimentos de la Costa Costahut, S.A. (3)	Ecuador	-	100%	1	17	(47)	(29)
Sociedad de Turismo Sodetur, S.A. (3)	Ecuador	-	100%	1,621	2,240	(2,394)	1,466
Telepizza Industries International Telepizzainter, S.A.	Ecuador	-	100%	1	(125)	156	32
Inverjenos S.A.S. (1)	Bogota	-	100%	669	9,036	(6,412)	3,293
Telepizza Shanghai S.L. (3)	Shanghai	-	100%	104	13	24	141
Procusto Activos, S.L.U (4)	Madrid	-	100%	3	(2)	-	1
Telepizza Switzerland GmbH(3)	Berne	-	100%	18	(2,213)	(630)	(2,825)
Fortys Pizza SRO (3)	Czech Republic	-	100%	1,039	(1,591)	(1,341)	(1,893)
The Good Food Company Ltd (3)	Ireland	-	51%	-	4,332	2,179	6,511
Mooncharm Limited (3)	Ireland	-	51%	-	567	1,128	1,695
TDS Telepizza, S.L. (3)	Spain	-	100%	4	10,198	94	10,296
Insular Procurement & Services, S.L. (3)	Spain	-	100%	3	(975)	840	(132)
IBERIFOOD, SAP.I. SA de C.V.	Mexico	-	100%	2,045	3,887	(324)	5,608
Desarrolladora Inmobiliaria de Restaurantes, S. de R. L. de C. V.	Mexico	-	75%	6,134	(20)	(2,556)	3,558
Expertos en Repartos a Domicilio, S. de R.L. de C.V.	Mexico	-	75%	-	112	41	153
Expertos en Restaurantes, S. de R.L. de C.V.	Mexico	-	75%	-	478	39	439

(1) Statutory accounts audited

(2) Statutory accounts of main companies of the subgroup audited

(3) Statutory accounts not audited

(4) Dormant companies

This appendix forms an integral part of note 1 to the consolidated annual accounts for 2021, in conjunction with which it should be read.

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Directors' Report

Corporate background – the Food Delivery Brands Group

Telepizza was created in 1987 as a family business. Since opening its very first outlet in Madrid in 1988, the Group has gradually ramped up its activities and expanded internationally.

In 1992, Telepizza opened its first pizza dough production plant in Guadalajara (Spain) and its first outlets in Poland, Portugal and Chile. Telepizza was listed on Spain's stock exchanges in 1996 via initial public offering. In 2004, Telepizza began its digital expansion in Spain and, four years later, in 2008, Telepizza relaunched its telepizza.es website to improve home delivery.

In 2007, the Company was delisted from the Spanish stock exchange following a delisting tender offer launched by the private equity fund Permira and other partners. Telepizza continued its international expansion, entering into master franchise agreements in Guatemala, El Salvador and the United Arab Emirates in 2009. In 2010, the Group acquired the Colombian pizza chain Jenó's Pizza, the country's biggest pizza chain with 80 outlets, and in the subsequent years the Group opened its first outlet in Peru and entered the airline catering sector. In 2012, Telepizza established its presence in Ecuador. In 2013, Telepizza expanded its network of franchises in Panama, Russia and Bolivia. In 2014, the Group gained a foothold in Angola. After observing a greater reliance on technology among its customer base, in 2015 Telepizza developed "Click & Pizza", an online delivery service, and started creating smartphone applications.

In April 2016, Telepizza was again listed on the Spanish stock market and continued its international expansion, announcing its entry into new markets in EMEA and Latin America, under the Telepizza brand, and Ireland, under the Apache brand. In December 2018, Telepizza signed a strategic agreement with Yum! Brands, making it the largest master franchisee of Pizza Hut in the world.

The partnership with Yum! (Pizza Hut)

In June 2018, the Group signed a strategic partnership and multi-country master franchise agreement between Telepizza Group (now Food Delivery Brands) and Pizza Hut to accelerate their joint growth in Latin America (excluding Brazil), the Caribbean, Spain, Portugal and Switzerland.

Following the approval of the transaction by the European Commission's competition authorities on 3 December 2018, the global alliance and master franchise agreement with Pizza Hut was signed and came into force on 30 December 2018.

Pizza Hut, a division of Yum! Brands, Inc. ("Yum! Brands"), is the world's largest pizzeria company with more than 18,000 restaurants in over 100 countries. As a result of the partnership, on 30 December 2018 Telepizza operated a total of 1,011 Pizza Hut outlets (in addition to its current 1,620 network outlets and including the 38 outlets in Ecuador acquired prior to formalisation of the agreement), thus making it the largest Pizza Hut master franchisee in the world by number of outlets and a leading pizza operator worldwide with an ambitious growth plan in the coming years.

On the back of this partnership, the Food Delivery Brands Group will be able to develop and improve its capacity to manage networks of outlets and supply pizza dough and ingredients while fostering its international growth (taking advantage of the synergies existing between both groups).

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As part of the agreement, Telepizza granted a purchase option on the bare ownership of the "telepizza" brand, which would be exercisable 3 years after the signature of the agreement. In financial year 2021, Pizza Hut International exercised the aforementioned purchase option and, as originally agreed, the Food Delivery Brands Group retains the usufruct of the "telepizza" trademark and its exclusive right to use it.

In Spain and Portugal, the Group will continue to operate under the Telepizza brand along with Pizza Hut, given its leadership and privileged recognition of the brand across these markets. Conversely, the current brands in Latin America ("Telepizza" and "Jeno's Pizza") will be gradually changed so as to operate solely under the "Pizza Hut" brand in the coming years, thereby taking advantage of its greater brand recognition in the region.

Recent changes in the corporate and capital structures

On 21 January 2019, Tasty Bidco, S.L. –an investment vehicle controlled by various funds and accounts that are managed or advised by KKR Credit Advisors (US) LLC or its affiliates, with entities affiliated with Torreal, Safra, Artá and Altamar as co-investors–, filed with the Comisión Nacional del Mercado de Valores (CNMV) a voluntary tender offer with a public offer of Euros 6.00 per share for the acquisition of all the shares of Telepizza Group S.A. (currently called Food Delivery Brands Group, S.A.). The result of the voluntary takeover process was published on 8 May 2019 and it was resolved on 13 May 2019. The takeover resulted in Tasty Bidco owning 56,699,827 shares in Telepizza, representing 56.29% of its share capital. Subsequently, Tasty Bidco S.L. approved a sustained order to acquire shares in the Telepizza Group.

As a result of the takeover, on 10 June 2019, the Group completed the refinancing of its existing financial debt by means of the following transactions:

- The acquisition of all shares representing the share capital of Tasty Bondco 1, S.A. from Tasty DebtCo S.à.r.l., an affiliate of Tasty Bidco, S.L. which completed a Euros 335,000 thousand bond issue at a fixed interest rate of 6.25%, maturing in 2026. These bonds are listed in the Luxembourg stock exchange's Euro MTF market.
- Early repayment of the Euros 200,000 thousand syndicated loan arranged by the Group with certain banks on 8 April 2016 and, simultaneously, the syndicated loan guarantees were released and guarantees were provided to bondholders.

As part of the recapitalisation of the Group, the Company's General Meeting of Shareholders, held on 17 June 2019, approved the distribution of an extraordinary dividend charged to unrestricted reserves amounting to Euros 130,936,882.70, which was allocated by certain investors to the partial repayment of their purchase loans.

Furthermore, on that same date, the General Meeting of Shareholders of Telepizza Group, S.A., approved the delisting of the shares from the Madrid, Barcelona and Bilbao stock exchanges. Trading in Telepizza Group, S.A. shares was suspended on 9 July 2019, and the shares were effectively delisted on 26 July 2019.

TASTY BIDCO, S.L.
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Consolidated Directors' Report

As previously stated, Tasty Bondco 1, SA.U. is a limited liability company incorporated in accordance with the laws of Spain, which on 3 May 2019 issued a Euros 335,000 thousand senior secured bond maturing in 2026.

On 12 December 2019, a merger was approved between the issuer Tasty Bondco 1, S.A.U. and Foodco Bondco, S.L., identified as “Tasty Bondco 2, S.A.” in the Indenture and Merger Memorandum, which was approved by the competent bodies of the merged entities. On 26 February 2021 the merger deed was filed with the Madrid Companies Register and, as a result, Foodco Bondco, SAU (transformed into a corporation – *sociedad anónima*) assumed all the issuer's obligation in connection with the bonds, the Indenture, the Intercreditor agreement and any other document relating to the issue, in accordance with Spanish law.

The bonds accrue interest at an annual rate of 6.25%. The bonds will mature on 15 May 2026 and the issuer will pay interest on the bonds half-yearly every 15 January and 15 July, from 15 January 2021.

On 21 July 2021, the General Meeting of Shareholders of Telepizza Group, S.A. agreed to change the Company's name to Food Delivery Brands Group, S.A. and to change the corporate name of the Group. Accordingly, the corporate identity and image will boost our international positioning recognition as a multi-brand group. The Group, which operates the “Telepizza”, “Pizza Hut”, “Jeno's Pizza” and “Apache Pizza” concepts, thereby takes another step forward in its strategy to position itself as the world's largest pizza delivery group.

This change is aimed at boosting and reinforcing the development of each of its brands, affording them greater personality and differentiation in the various markets in which they operate. The change will also shore up the individual ‘Telepizza’ concept, a brand with more than 30 years of history which, following its performance during the COVID-19 crisis, has strengthened its recognition and renown even more, to its highest ever levels.

The Group's position and business performance

Coronavirus pandemic (COVID-19)

On 11 March 2020, the World Health Organization declared the outbreak of coronavirus disease (COVID-19) a pandemic, due to its rapid global spread, affecting more than 150 countries on that date. Most governments have taken restrictive measures to curb the spread, which include: isolation, lockdowns, quarantine and restrictions on the free movement of people, closure of public and private premises except those considered essential or relating to healthcare, border closures and drastic reductions in air, sea, rail and road transport.

This situation has had a significant impact on the global economy, due to the disruption or slowing of supply chains and the sizeable increase in economic uncertainty, evidenced by an increase in the volatility of asset prices and exchange rates, as well as cuts in long-term interest rates.

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Governments have approved various extraordinary emergency measures to mitigate the economic and social impact of the COVID-19 outbreak.

The Group has developed a "COVID-19 Prevention Protocol", which outlines the security measures implemented to tackle the situation with the best safeguards for health, and always in compliance with strict procedures and to ensure the health and welfare of its employees and customers at all times.

The Group is working, coordinating with and at the disposal of the authorities to ensure the health and welfare of employees and customers alike, and to meet any needs we can by contributing our resources.

Likewise, many of the health measures implemented by governments to curb the spread of the pandemic consisted of imposing bans or restrictions on opening hours for outlet operations. Nevertheless, the Group has managed to adapt to these circumstances, continuing with its activity and increasing primarily home delivery and takeaway services by following zero contact procedures. Nevertheless, due to the decline in activity and in order to streamline efforts and optimise resources, the Group has implemented various furlough schemes which in Spain have affected 1,520 employees in 2020. In addition, the Group's management agreed to a temporary reduction of their remuneration.

In 2020, the Group drew down a (revolving) credit facility and an ICO loan was arranged amounting to Euros 45,000 thousand and Euros 10,000 thousand, respectively, in addition to the existing funding, which has helped the Group to address the health emergency and continue with its activities.

In 2020, the Group also analysed potential options for optimising the current capital structure, in order to (i) adapt it to the new business circumstances and the economic and competitive environment resulting from COVID-19, and (ii) to obtain the necessary financial resources to fully implement the business plan devised for the next few years.

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The reconciliation between the consolidated income statements for 2021 and 2020, and the same excluding the effects of IFRS 16, is shown below

	Thousands of Euros		
	2021	IFRS 16	2021 ex IFRS 16
Revenues	391,079	4,105	395,184
Merchandise and raw materials used	(115,517)	-	(115,517)
Personnel expenses	(92,377)	-	(92,377)
Depreciation and amortisation expenses	(47,313)	15,454	(31,859)
Other expenses	(123,214)	(24,112)	(147,326)
Impairment of non-current assets	(6,286)	-	(6,286)
Other losses	7,243	(1,994)	5,249
Loss from operating activities	<u>13,615</u>	<u>(6,547)</u>	<u>7,068</u>
Finance income	2,438	(835)	1,603
Finance expenses	<u>(38,371)</u>	<u>5,137</u>	<u>(33,234)</u>
Loss before tax from continuing operations	(22,318)	(2,245)	(24,563)
Income tax expense	<u>2</u>	<u>179</u>	<u>181</u>
Loss for the year from continuing operations	(22,316)	(2,066)	(24,382)
Post-tax loss of discontinued operations discontinued operations	<u>(4,744)</u>	<u>(21)</u>	<u>(4,765)</u>
Loss for the year	(27,060)	(2,087)	(29,147)
Profit/(loss) attributable to non-controlling interests	<u>(2,094)</u>	<u>(328)</u>	<u>(2,422)</u>

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	Thousands of Euros		
	2020	IFRS 16	2020 ex IFRS 16
Revenues	347,357	8,415	355,772
Merchandise and raw materials used	(104,220)	-	(104,220)
Personnel expenses	(95,620)	-	(95,620)
Depreciation and amortisation expenses	(43,725)	17,116	(26,609)
Other expenses	(114,299)	(29,038)	(143,337)
Impairment of non-current assets	(120,695)		(120,695)
Other losses	2,226	(3,252)	(1,026)
Loss from operating activities	<u>(128,976)</u>	<u>(6,759)</u>	<u>(135,735)</u>
Finance income	1,878	(1,436)	442
Finance expenses	<u>(33,367)</u>	<u>5,521</u>	<u>(27,846)</u>
Loss before tax from continuing operations	(160,465)	(2,674)	(163,139)
Income tax expense	<u>3,417</u>	<u>1,251</u>	<u>4,668</u>
Loss for the year from continuing operations	(157,048)	(1,423)	(158,471)
Post-tax loss of discontinued operations discontinued operations	<u>(3,334)</u>	<u>(255)</u>	<u>(3,079)</u>
Loss for the year	(160,382)	(1,168)	(161,550)
Profit/(loss) attributable to non-controlling interests	<u>(23,550)</u>	<u>(223)</u>	<u>(23,773)</u>

Food Delivery Brands Group chain sales in the 12-month reporting period ended on 31 December 2021

	EMEA	LatAm	Total
<u>Chain sales¹ growth</u>	6.7%	22.4%	13.6%
Growth in chain sales ¹ in constant currency (%)	6.8%	27.2%	15.7%
Growth in chain sales ¹ in constant currency - Telepizza (%)	6.1%	22.1%	7.6%
Growth in chain sales ¹ in constant currency - Pizza Hut (%)	11.7%	27.9%	25.4%

Excluding the discontinued operations in Poland and the Czech Republic

² Including personnel costs, leases, advertising, logistics and other expenses

³ Detailed in the section "Alternative performance measures"

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Summary of the income statement for the 12-month reporting period ended on 31 December 2021 (excluding discontinued operations)

Below are the Group's revenues from 1 January 2021 to 31 December 2021, and its adjusted and reported EBITDA:

(millions of Euros)	2020 (Without effect of IFRS 16)	2021 (Without effect of IFRS 16)	% change
Own outlet sales	167.9	183.6	9.3%
Supply chain, royalties, marketing fee and other revenue	187.9	209.8	11.7%
Revenues	355.8	393.4	10.6%
Product cost	-103.2	-115.5	11.9%
<i>% Gross margin</i>	71.0%	70.6%	-0.3p.p
Other operating expenses	-223.0	-228.6	2.5%
Adjusted EBITDA	29.6	49.3	66.4%
<i>% adjusted EBITDA margin</i>	8.3%	12.5%	4.2p.p
Non-operating and recurring costs ³	-17.0	-9.3	7.7
EBITDA reported	12.6	40.0	217.3%

In the 2021 period, the Food Delivery Brands group reported an increase in chain sales (which includes the total sales of own outlets, franchisees and master franchisees) of 15.7% at fixed exchange rate to Euros 1,133.6 million, compared with Euros 997.5 million in the same period of 2020 (excluding discontinued operations in Poland). Revenues increased by 10.6% to Euros 393.4 million, compared to Euros 355.8 million in the same period of 2020, due to the economic uptick following the relaxation of pandemic restrictions, especially from the second quarter onwards, with significant growth in sales, both in our own outlets and in royalty income, and the sale of dough and other supplies to our franchisees as a result of the gradual return to normality.

EBITDA reported in 2021 amounted to Euros 40.0 million, compared with Euros 12.6 million in the same period of 2020 (+217.3%). Adjusted EBITDA, excluding non-operating and non-recurring costs, amounted to Euros 49.3 million, compared with Euros 29.6 million in the same period of 2020 (+66.4%).

This strong growth in adjusted EBITDA, exceeding the estimate given to the market, has been possible thanks to the gradual recovery of activity in the existing network of outlets, as well as the strong expansion carried out during 2021, which has resulted in the net opening of 120 new restaurants during this financial year.

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EMEA

Chain sales in EMEA increased by 6.8% in the current year to Euros 593.5 million, compared with Euros 556.1 million in the same period of 2020 (excluding the discontinued operation in Poland).

Growth was recorded in the Iberian peninsula from the second half of the year, with a recovery in activity thanks to actions in the area of sales policies and the focus on products and service.

Rest of Europe: Sales in Ireland have grown month on month throughout 2021 showing a clear recovery in consumption and a successful commercial policy.

LatAm

Chain sales in LatAm increased by 27.2% in the year to Euros 540.1 million, compared with Euros 441.4 million in the same period of 2020.

A clear recovery in activity in all countries, especially from the second quarter onwards. At 31 December 2021, 99% of outlets in the region were operational, although, as in EMEA, still subject to significant opening hours and service constraints.

M&A

In 2021, the call option on 25% of Pizza Hut's equity in Mexico, which was held by our minority partners and previous owners of the operation in the country, was exercised. Following this acquisition, the Food Delivery Brands Group now controls 100% of our Pizza Hut subsidiary in Mexico, one of the markets with the highest growth potential in the restaurant sector in Latin America.

Expansion of the outlet network (continued operations)

At 31 December 2021, the Group operated 2,552 outlets belonging to the Telepizza and Pizza Hut brands, of which 1,223 were located in EMEA and 1,329 in LatAm. This figure compares with a total of 2,446 outlets on 31 December 2020.

During 2021, there was a notable expansion of the network of outlets, with the opening of 160 outlets, of which 70 are located in EMEA and 90 in LatAm. A number of outlets have been closed to optimise the network, with a net increase of 106 outlets in 2021.

Outlook for 2022

The Group expects a gradual return to normality with a recovery in activity around 2021, as the restrictions associated with the pandemic are gradually lifted in the various markets in which we operate.

However, it is difficult to assess what the impact on the recovery will be due to strong growth in inflation and energy prices, supply chain tensions and general uncertainty as a result of geopolitical tensions in the wake of the war in Ukraine.

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The intensity and duration of these factors may have a very significant effect on the economy, and thus on consumption, which could affect the strength of the expected recovery, once the effects of COVID are overcome.

The Group continues to work on short- and medium-term actions to minimise the possible adverse effects of the aforementioned risks, as well as to accelerate the optimisation of its operating processes and the development of its digital capabilities to adapt to the new needs and habits of consumers.

Risks and uncertainties

The main risks to which the Group is exposed are derived from the level of consumer spending and the status of the restaurant market in each country in which we operate.

The Group's activities are exposed to various financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Group's profits. The Group therefore uses derivatives to mitigate certain risks.

Liquidity risk

The Group's liquidity policy consists of arranging credit facilities and holding marketable securities for a sufficient amount to cover forecast requirements, making financing available and enabling it to settle market positions relating to short-term investments immediately, thus ensuring that this financial risk is minimised.

Credit risk

The Group is not exposed to significant credit risk because this risk is not heavily concentrated, both cash placements and derivative contracts are with highly solvent entities, the average collection period for trade receivables is very short and customers have adequate credit records, which reduces the possibility of bad debts.

Innovation

The Group works constantly to create, develop and improve all its products, taking consumer preferences into consideration at all times and working with optimum ingredients that enable us to provide balanced products in terms of taste and nutritional composition. Quality is a key factor in this process and rigorous control measures are followed when approving new suppliers, thereby guaranteeing maximum product and service quality to outlets.

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Acceptance tests are another decisive factor in research, development and innovation work. These tests are carried out with market research companies and aim mainly to gauge customer opinion and ensure product acceptance. They also incorporate the opinions and experience of personnel from other departments in the Company, such as operations and marketing. The entire testing process is based on suggestions regarding product preparation and the names, ingredients and presentation of different products.

The international area benefits from research, development and innovation work performed in Spain, and also receives support in the local development and testing of products.

Transactions with own shares

There have been no transactions with own shares.

Average supplier payment period

The average supplier payment period of the consolidated Spanish companies is 110 days, and actions are being implemented to facilitate reverse factoring lines in order to reduce this average payment period.

Non-financial Information Statement

The non-financial information required pursuant to Spain's Law 11/2018, of 28 December 2018, concerning non-financial reporting and diversity, is presented separate from this Consolidated Directors' Report, in the "2021 Non-Financial Information Statement", a document which is available on the website www.fooddeliverybrands.com.

Events after the reporting period

The current geopolitical and economic uncertainty as result of the conflict in Ukraine is causing a general increase in the prices of raw materials and energy products, as well as disruptions in the supply chains, which could affect the Group's businesses. Although the Group would pass on such increases to the franchisees and the consumers, it could be hampered by the duration and intensity of this environment and the capacity of the markets to absorb it.

At the date of authorization for issue of the consolidated annual accounts, it is not possible to make a reliable estimate of the effects resulting from this situation. During 2022, the Parent's directors will assess the impact of the aforementioned events on the equity and financial position at 31 December 2022 and on the results of operations, including assets impairment, and cash flows for the year then ended.

Alternative performance measures

This report includes various financial and non-financial metrics used to better explain the performance of the Group's business.

- **Chain sales:** Chain sales are the retail sales of our own outlets, plus those of the franchised outlets and master franchisees.

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- **LFL sales growth:** LFL growth is chain sales growth after adjustments for openings and closures of outlets and at fixed exchange rate.
 - Adjustment. If an outlet has been open for the entire month, we consider it to be an “operating month” for the outlet in question; if not, that month is not an “operating month” for that outlet. LFL sales growth only takes into account the change in an outlet’s sales for a given month if that month was an “operating month” for the outlet in the two periods being compared. The scope adjustment is the percentage variation between two periods resulting from dividing (i) the variation between system sales excluded in each of these periods (“chain sales excluded”) because they were obtained in operating months that were not operating months in the comparable period by (ii) the chain sales for the prior period as adjusted to deduct chain sales excluded from such period (“adjusted chain sales”). This gives the actual changes in chain sales between operating outlets, eliminating the impact of changes between periods due to outlet openings and closings.
 - Fixed exchange rate. We calculate the system’s LFL sales growth on a constant currency basis to eliminate the impact of changes between the Euro and the currencies in certain countries where the Group operates. To make this adjustment, we apply the average monthly exchange rate in Euros for the most recent operating month in the period to the comparable operating month of the previous period.
- **EBITDA:** EBITDA is earnings before interest, tax, depreciation and amortisation.
- **Adjusted EBITDA:** Adjusted EBITDA is EBITDA adjusted for non-operating costs, other adjustments that have no impact on cash flow, non-recurring costs relating to severance pay linked to restructuring, non-recurring costs relating to COVID-19, the partnership with Pizza Hut and the new corporate structure and refinancing.
- **Non-operating costs:** Expenses, linked mainly to onerous leases, which are not operating leases.
- **Non-recurring costs:** Extraordinary expenses linked to the establishment and development of the partnership with Pizza Hut (strategic consultancy, legal expenses and others), also including extraordinary expenses linked to setting up the new corporate structure (financial consultancy, legal expenses and others), extraordinary expenses relating to COVID-19, costs associated with outlet closures in mergers and acquisitions, severance pay relating to restructuring and extraordinary expenses as a result of the Group’s refinancing and new financial debt.

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SIGNATURE PAGE

The Board of Directors of the Company TASTY BIDCO, S.L.U. in the meeting held on 24 March 2021 and in compliance with the requirements set out in article 253.2 of the Spanish Companies Act and in article 37 of the Code of Commerce, draw up the consolidated annual accounts and the consolidated management report of TASTY BIDCO, S.L.U. and subsidiaries corresponding to fiscal year beginning on 1 January 2021 and ending on 31 December 2021. The consolidated annual accounts are formed by the annexed documents preceding to this page.

Mr. Jacobo Caller Celestino
Board Chairman and
Chief Executive Officer

Mr. Nicolás Jiménez-Ugarte Luelmo
Natural person representing
ARTÁ CAPITAL SGEIC, S.A.U.

Mr. Óscar Gaitán Salazar
Board Member

Mr. Víctor Culebras Yabar
Board Member

Mr. Miguel Carlos Abelló Gamazo
Natural person representing
NUEVA COMPAÑÍA DE INVERSIONES, S.A.

Mr. Gabriele Questa
Board Member

Mrs. Stella Esther Rachel Amar-Cohen
Board Member

Mr. Jorge Lluch Pauner
Board Member

Mr. Manuel Echenique Sanjurjo
Secretary

Manuel Echenique Sanjurjo, in my condition of Secretary non-director of the Board of Directors, hereby certify that the signatures which are above the names are authentic and corresponds to the members of the Board of Directors of the Company.

I, Mr Manuel Echenique Sanjurjo, Secretary, non-director, to the Board of Directors of Tasty Bidco, S.L.U., domiciled in Isla Graciosa, 7, San Sebastián de los Reyes (Madrid), with tax ID code B-88208848,

HEREBY CERTIFY:

That the Directors of Tasty Bidco, S.L.U. and subsidiaries, on March 24, 2022 have authorized for issue the Consolidated Annual Accounts and Consolidated Directors' Report for 2021.

That said consolidated annual accounts were approved by all the directors.

That directors were unable to sign the consolidated annual accounts by hand or by means of recognised electronic signature because of the material impossibility of doing so as a result of the travel restrictions affecting the directors as a result of the pandemic.

And in witness of their authenticity, I issue this Certification in Madrid, on March 24, 2022.



Mr Jacobo Caller Celestino
Chairman



Mr Manuel Echenique Sanjurjo
Secretary