

# **TASTY BIDCO, S.L. and Subsidiaries**

**Condensed Consolidated Interim Financial  
Statements**

30 June 2020

**Consolidated Directors' Report for the Six-  
month period ended at 30 June 2020 (un-  
audited)**

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Financial Position  
30 June 2020 and 31 December 2019

(Expressed in thousands of Euros)

<u>Assets</u>	<u>30.06.2020</u>	<u>31.12.2019</u>
Property, plant and equipment (note 6)	59,705	59,668
Rights-of-use assets (note 7)	86,289	77,623
Goodwill (note 8)	353,168	349,683
Other intangible assets (note 8)	456,318	459,141
Net investment in subleases (note 7)	50,871	54,338
Deferred tax assets (note 18)	23,802	21,240
Non-current financial assets (note 9)	23,717	26,182
	<u>1,053,870</u>	<u>1,047,875</u>
Inventories	12,845	13,097
Trade and other receivables (note 10)	53,696	57,917
Net investment in subleases (note 7)	11,667	12,200
Other current financial assets	2,969	2,312
Other current assets	3,957	4,006
Cash and cash equivalents (note 11)	64,083	47,857
	<u>149,217</u>	<u>137,389</u>
Subtotal current assets	149,217	137,389
Non-current assets held for sale (note 4)	18,257	20,814
	<u>167,474</u>	<u>158,203</u>
Total current assets	167,474	158,203
Total assets	<u><u>1,221,344</u></u>	<u><u>1,206,078</u></u>

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 30 June 2020.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Financial Position  
30 June 2020 and 31 December 2019

(Expressed in thousands of Euros)

<u>Equity and Liabilities</u>	<u>30.06.2020</u>	<u>31.12.2019</u>
Share capital (note 12)	2,662	2,662
Share premium	248,942	248,942
Other shareholder contributions	165,108	165,108
Retained earnings	(58,227)	(31,049)
Translation differences	(5,491)	(1,191)
	<u>352,994</u>	<u>384,472</u>
Equity attributable to equity holders of the Parent and total equity (note 12)		
Non-controlling interests	<u>68,529</u>	<u>72,062</u>
Equity	<u>421,523</u>	<u>456,534</u>
Debentures and bonds (note 13(a))	319,314	317,778
Loans and borrowings (note 13 (a))	55,000	-
Other financial liabilities	10,100	10,436
Lease liabilities (note 7)	118,521	118,886
Deferred tax liabilities (note 18)	103,018	103,876
Provisions	1,116	734
Other non-current liabilities	12,394	14,100
	<u>619,463</u>	<u>565,810</u>
Total non-current liabilities		
Debentures and bonds (note 13(b))	9,613	13,798
Loans and borrowings (note 13 (b))	7,585	2,500
Other financial liabilities	-	1,973
Lease liabilities (note 7)	50,809	44,224
Trade and other payables (note 14)	100,342	110,628
Provisions	863	-
Other current liabilities	3,219	2,414
	<u>172,431</u>	<u>175,537</u>
Subtotal current liabilities		
Liabilities directly associated with non-current assets held for sale (note 4)	<u>7,927</u>	<u>8,197</u>
Total current liabilities	<u>180,358</u>	<u>183,734</u>
Total equity and liabilities	<u><u>1,221,344</u></u>	<u><u>1,206,078</u></u>

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 30 June 2020.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Income Statements  
for the six-month period ended at 30 June 2020 and 2019

(Expressed in thousands of Euros)

	<u>30.06.2020</u>	<u>30.06.2019 (*)</u>
Revenues (note 15)	164,315	183,957
Merchandise and raw materials used	(49,836)	(48,462)
Personnel expenses (note 16)	(49,202)	(47,079)
Amortisation and depreciation expenses (notes 6, 7 and 8)	(23,613)	(16,897)
Other expenses (note 17)	(52,409)	(58,431)
Other losses	<u>(1,255)</u>	<u>(2,711)</u>
Operating profit/(loss) for the period	<u>(12,000)</u>	<u>10,377</u>
Finance income	1,783	1,723
Finance costs	(17,967)	(10,377)
Exchange differences	<u>(240)</u>	<u>454</u>
Profit / (Loss) before tax from continuing operations	(28,424)	2,177
Income tax expense (note 18)	<u>175</u>	<u>(1,209)</u>
Profit / (Loss) for the period from continuing operations	(28,249)	968
Post-tax loss of discontinued operations (note 4)	<u>(2,462)</u>	<u>(866)</u>
Profit / (Loss) for the period	(30,711)	102
Profit / (Loss) attributable to non-controlling interests	<u>(3,533)</u>	<u>429</u>
Profit / (Loss) for the period attributable to equity holders of the Parent		
Continuing operations	(24,716)	539
Discontinued operations	<u>(2,462)</u>	<u>(866)</u>
	<u>(27,178)</u>	<u>(327)</u>

(\*) Restated figures and corresponding to Telepizza Group, S.A. and subsidiaries (see note 2)

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 30 June 2020.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income  
for the six-month period ended at 30 June 2020 and 2019

(Expressed in thousands of Euros)

	<u>30.06.2020</u>	<u>30.06.2019 (*)</u>
Profit / (Loss) for the period	(30,711)	102
Other comprehensive income:		
Items that will be reclassified to profit or loss		
Translation differences of financial statements of foreign operations	<u>(4,300)</u>	<u>(1.191)</u>
Total comprehensive income / (loss) for the period	<u>(35,011)</u>	<u>(1.089)</u>
Profit / (loss) attributable to non-controlling interests	<u>(3,533)</u>	<u>429</u>
Total comprehensive income / (loss) for the year attributable to equity holders of the Parent	<u><u>(38,544)</u></u>	<u><u>(660)</u></u>

(\*) Restated figures and corresponding to Telepizza Group, S.A. and subsidiaries (see note 2)

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 30 June 2020.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Changes in Equity  
for the six-month period ended at 30 June 2020 and for the year ended 31 December 2019

(Expressed in thousands of Euros)

	Share capital	Share premium	Other shareholder contributions	Retained earnings	Translation differences	Non-controlling interests	Total Equity
Balance at 1/1/2019	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Transactions with shareholders							
Capital increase 10 May 2019	1,726	170,899	-	-	-	-	172,625
Capital increase 13 May 2019	932	92,243	-	-	-	-	93,175
Initial business combination	-	-	-	-	-	264,125	264,125
Subsequent acquisition of non-controlling interests	-	-	-	-	-	(161,912)	(161,912)
Dividends distributed to non-controlling interests	-	-	-	-	-	(27,800)	(27,800)
Sole shareholder contributions	-	-	165,108	-	-	-	165,108
Loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,049)</u>	<u>(1,191)</u>	<u>(2,351)</u>	<u>(34,591)</u>
Balance at 31/12/2019	<u>2,662</u>	<u>248,942</u>	<u>165,108</u>	<u>(31,049)</u>	<u>(1,191)</u>	<u>72,062</u>	<u>456,534</u>
Loss for the six-month period ended 30 June 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,178)</u>	<u>(4,300)</u>	<u>(3,533)</u>	<u>(35,011)</u>
Balance at 30/06/2020	<u>2,662</u>	<u>248,942</u>	<u>165,108</u>	<u>(58,227)</u>	<u>(5,491)</u>	<u>68,529</u>	<u>421,523</u>

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 30 June 2020.

## TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows  
for the six-month period ended at 30 June 2020 and 2019  
(Expressed in thousands of Euros)

	2020	2019 (*)
Cash flows from operating activities		
Profit/(loss) of discontinued operations	(2,462)	(866)
Profit/(loss) before tax from continuing operations	(28,424)	2,177
<i>Adjustments for:</i>		
Amortisation and depreciation (notes 6, 7 and 8)	23,613	16,897
Impairment of non-current assets	-	2,711
Finance income	(1,783)	(1,723)
Finance costs	17,967	10,377
Share based payment costs	-	1,241
	8,911	30,814
Change in working capital		
(Increase)/decrease in inventories	252	(802)
(Increase)/decrease in trade and other receivables	4,221	(9,564)
(Increase)/decrease in other current and non-current asset	1,857	(11,929)
Increase/(decrease) in trade and other payables	(10,286)	23,007
Increase/(decrease) in provisions	1,245	(1,039)
Increase/(decrease) in other current and non-current liabilities	(3,210)	8,489
Income tax paid	(360)	(3,938)
Cash generated from operations	2,630	35,038
Interest received	352	901
Interest paid	(16,534)	(5,167)
Net cash from operating activities	(13,552)	30,772
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	2,210	4,843
Acquisition of property, plant and equipment	(6,608)	(12,808)
Acquisition of intangible assets	(4,058)	(5,131)
Sub-leases collections	6,157	5,398
Acquisition of goodwill	-	(3,166)
Acquisition of subsidiaries, net of cash and cash equivalents	(10,901)	-
Cash flows from (used in) discontinued operations	1,124	482
Net cash used in investing activities	(12,076)	(10,382)
Cash flows from financing activities		
Issuance of debentures and bonds, net of issue costs	-	317,087
Issuance/(cancellation) of debt with credit institutions	59,663	(200,000)
Own shares	-	16,428
Business combination	-	2,253
Dividend payments	-	(130,937)
Lease liability payments	(17,809)	(14,736)
Net cash from (used in) financing activities	41,854	(9,905)
Net increase/(decrease) in cash and cash equivalents	16,226	10,485
Cash and cash equivalents at 1 January	47,857	56,698
Effect of exchange differences	-	825
Cash and cash equivalents at 31 December	64,083	68,008

(\*) Restated figures and corresponding to Telepizza Group, S.A. and subsidiaries (see note 2)

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the six-month period ended 30 June 2020.

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

(1) Nature, Activities and Composition of the Group

Tasty Bidco, S.L. (the Company or the Parent, and together with its subsidiaries, the “Group”) was incorporated with limited liability under Spanish law on 4 October 2018 under the name of Global Mastodon, S.L. On 12 December 2018 the Company changed its 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, the Company's main shareholder, KKR Credit Advisors (US), LLC, announced its intention to acquire all the shares in Telepizza 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 Telepizza Group, S.A.

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 principal activity of the Company is the holding of the interest in Telepizza Group, S.A and the rendering of corporate and strategic management-related services on behalf of Tele Pizza, S.A. and other Group companies.

The principal activity of the Company's subsidiaries consists of the management and operation of retail outlets under the brand names of “telepizza”, “Pizza Hut”, “Pizza World”, “Jeno's Pizza” and “Apache”, which sell food for consumption at home and on the premises. At 30 June 2020, this activity is carried out through 547 own outlets and 2,004 franchises (439 own outlets and 2,159 franchises in 2019), located mainly in Spain, Portugal, Chile, Colombia, Ecuador, Mexico, Switzerland, Ireland and Guatemala. The Group also carries out its activity through master franchises mainly located in Guatemala, El Salvador, Costa Rica, Peru, Honduras, Puerto Rico and Panama.

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), Tele Pizza, S.A. supplies all the outlets in Spain and Portugal that are directly operated by the Group or through its franchises. In addition, the Group operates another 4 factories in other countries in which it carries out its activity of dough manufacturing and 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.

(Continued)



TASTY BIDCO, S.L.  
AND SUBSIDIARIES

## Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

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 Telepizza Group receives a percentage of its franchisees' sales (royalties) for these services. The Group centralises in a number of territories the promotional and advertising activities for all the outlets operating 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 brand to a local operator. Master franchise contracts entitle the master franchisee to operate the "telepizza" brand in a specific market, enabling them to open their own outlets or to establish outlets under franchise agreements. The Group signed an agreement on 30 December 2018 making it the exclusive master franchisee of Pizza Hut for the Iberian Peninsula, Latin America (including the Caribbean, and with the sole exception of Brazil) and Switzerland.

(a) Relevant events in 2020 and 2019(i) Takeover bid

On 21 December 2018, the Company's main shareholder KKR Credit Advisors (US), LLC announced its intention to acquire all the shares in Telepizza 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, in accordance with article 226 of the consolidated text of the Securities Market Act, approved by Royal Decree 4/2015 of 23 October.

As a result of the takeover, the Company, an investment vehicle wholly-owned by funds and accounts managed or advised by KKR Credit Advisors (US) LLC and with affiliated entities of Torreal, Safra, Artá and Altamar as co-investors, became the main shareholder of Telepizza Group, S.A.

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 the Company, which completed a Euros 335,000 thousand bond issuance (see note 19) 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.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

Furthermore, as part of this process the shareholders of Telepizza Group, S.A., in their General Meeting held on 17 June 2019, approved the distribution of an extraordinary dividend against reserves amounting to Euros 130,936 thousand.

That General Meeting of Shareholders also approved the delisting of shares traded in the Madrid, Barcelona, Bilbao and Valencia stock exchanges and, as a result, in the electronic market, in accordance with the exemption provided in article 11.d) of Royal Decree 1066/2007. Trading in Telepizza Group, S.A. shares was suspended on 9 July 2019, and the shares were effectively delisted on 26 July 2019.

(ii) 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 are taking restrictive measures to curb the spread, which include: isolation, confinement, 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. In Spain, the government approved Royal Decree 463/2020, of 14 March, declaring a state of emergency in order to manage the healthcare crisis unleashed by the Covid-19 outbreak.

This situation is having 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, exchange rates and cuts in long-term interest rates.

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

The health alert triggered by the coronavirus pandemic led the Group to devise a “Covid-19 Prevention Protocol” comprising the safety measures it has rolled out to tackle the situation with the best possible health safeguards and always in accordance with strict protocols. The aim is to ensure the health and welfare of its employees and customers at all times. The Group has set up a Covid-19 Crisis Committee to monitor the situation closely and to advise all the teams to adopt new safety measures in the event of any change in the situation or new guidelines from health authorities or the government.

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.

The Group has continued to conduct its business, maintaining primarily the home delivery service. However, 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, and the Group’s executives have agreed to temporally reduce their salaries by 25%.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

The Group's financial capacity is adequate, and includes, among other resources, a revolving credit facility and a ICO loan of Euros 45,000 thousand and Euros 10,000 thousand, respectively, in addition to the financing we have currently been using (see note 13), enabling the Group to tackle this health emergency and continue its activities.

The Group is analysing the possible alternatives for optimizing its current capital structure, in order to (i) adapt it to the new business circumstances and the economic and competitive environment as a consequence of COVID-19, and (ii) obtain the necessary financial resources to fully develop the business plan for the coming years.

In this line, the Group is in contact with various financial entities in Spain to explore access to more loans guaranteed by the ICO designed to cover the temporary impacts derived from COVID, as well as analysing other financing alternatives.

Moreover, the Group is reviewing the conditions of its alliance with Yum! (Pizza Hut), the terms of which, negotiated before the pandemic, need to be adapted to the new social and economic reality in which the business expects to develop in the coming years and taking into account the financial and liquidity capacities necessary to face up to its commitments.

At the date of issue of these condensed consolidated interim financial statements, the Group expects that the impact of the aforementioned events on the business and financial results of the Group could be significant. However, given the current uncertainty about the size and duration of the effects that COVID-19 might have on our own business and our franchisees, the economy in the countries where we are present or the consumers behaviour in this new environment, as well as the final outcome of the negotiation with Yum! and the analysis on our capital structure, such impact cannot yet be estimated reliably.

The Board of Directors will duly assess the impact of all aforementioned events on the cash flows, equity and financial position and the results of operations of the Group, (including any asset impairment) as soon as there is sufficient information for an accurate and supported judgement.

(iii) Acquisition of Pizza Hut business in Mexico

In January 2020, the Group acquired control of Pizza Hut's Mexico business by means of a subsidiary in Mexico 75%-owned by Tele Pizza, S.A. and 25%-owned by the former owners of the Pizza Hut business in Mexico (see notes 2(d) and 5).

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

(2) Basis of Presentation

These condensed consolidated interim financial statements for the six-month period ended 30 June 2020, have been prepared from the accounting records of Tasty Bidco, S.L. and its consolidated entities. They have also been prepared in conformity with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other applicable provisions of the financial reporting regulatory framework. Accordingly, they present fairly the consolidated equity and the consolidated financial position of Tasty Bidco, S.L. and its subsidiaries at 30 June 2020, and the consolidated financial results, the consolidated cash flows and the changes in consolidated equity for the period ended as of that date.

The Group adopted IFRS-EU at 1 January 2019, and applied IFRS 1 “First-time Adoption of International Financial Reporting Standards” as of that date.

These condensed consolidated interim financial statements were approved by the Parent’s Board of Directors at its meeting held on 30 July 2020.

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.

(a) Comparative information

In accordance with paragraph 20 of IAS 34, and in order to obtain comparative information, these condensed consolidated interim financial statements include the condensed consolidated statements of financial position at 30 June 2020 and 31 December 2019 of Tasty Bidco, S.L., the condensed consolidated income statements for the six-month period ended 30 June 2020 and 2019, the condensed consolidated statements of comprehensive income for the six-month period ended 30 June 2020 and 2019, the condensed consolidated statements of changes in equity for the six-month period ended 30 June 2020 and 31 December 2019, the condensed consolidated cash flow statements for the six-month period ended 30 June 2020 and 2019, together with the explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2020 and 2019.

As detailed in note 1, since 13 May 2019 the Company became the main shareholder of Telepizza Group, S.A. (together with its subsidiaries, the “Telepizza Group”), and therefore it’s the ultimate parent company of the Telepizza Group. The comparative figures included in the condensed consolidated income statement, the consolidated condensed statement of cash flows and the consolidated notes for the six-month period ended 30 June 2019 correspond to Telepizza Group, S.A. and its subsidiaries which were previously reported.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

The condensed consolidated income statements, the condensed consolidated statements of comprehensive income and the condensed consolidated statement of cash flows for the six-month period ended 30 June 2019 have been restated in order to make them comparable with the figures for 2020 as the Group has classified certain operations as discontinued operations in the consolidated income statement for 2019 (see note 4) and recognized the effect of IFRS 16.

(b) Responsibility for the information provided and estimates made

The information contained in these condensed consolidated interim financial statements is the responsibility of the Parent's directors, who are responsible for the preparation of the condensed consolidated interim financial statements in conformity with the applicable financial reporting regulatory framework (see section a) above), together with the internal control required to enable the preparation of the condensed consolidated interim financial statements free from material errors.

Likewise, although the estimates performed by the Parent Company's directors were calculated based on the best available information at 30 June 2020, it is possible that events that may take place in the future may force them to be amended in the coming years. The effect on the consolidated financial statements of the amendments which, where appropriate, arise from the adjustments to be performed in the coming years would be recognized prospectively.

(c) Accounting policies and measurement bases

The accounting policies and measurement bases used in these condensed consolidated interim financial statements at 30 June 2020, are the same as those used in the consolidated annual accounts for the year ended 31 December 2019.

(d) Consolidated Group

In January 2020, the Group acquired control of Pizza Hut's Mexico business by means of a subsidiary in Mexico 75%-owned by Tele Pizza, S.A. and 25%-owned by the former owners of the Pizza Hut business in Mexico (see note 1(a)).

In 2019, Tasty Bondco 1, S.A. was acquired (see note 1(a)) and Telepizza Andina, S.C.A. and Compañía de Negocios de Paraguay, S.A. were divested.

(e) Standards and interpretations issued

At the date of authorisation for issue of these condensed consolidated interim financial statements, no regulations have been adopted by the EU to be applied to the condensed consolidated interim financial statements for six-month period ended at 30 June 2020 and subsequent periods and having a material impact on the Group.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

(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, rounded off to the nearest thousand.

(3) 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 30 June 2020 and 31 December 2019, 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.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

	2020					
	Thousands of Euros					
	Spain	Other Europe	Latin America	Master franchise and rest of the world	Eliminations	Total
Total revenues	127,496	29,117	49,576	94	(41,968)	164,315
Operating profit / (loss)	(4,892)	5,545	(12,580)	(73)	-	(12,000)
Profit/(loss) from continuing operations	(16,581)	4,941	(16,609)	-	-	(28,249)
Profit/(loss) from discontinued operations	4	(2,466)	-	-	-	(2,462)
Segment assets	683,632	179,060	338,827	1,568	-	1,203,087
Assets from discontinued operations or held for sale	7,867	10,390	-	-	-	18,257
Group assets	<u>691,499</u>	<u>189,450</u>	<u>338,827</u>	<u>1,568</u>	<u>-</u>	<u>1,221,344</u>
Segment liabilities	579,282	45,797	165,828	987	-	791,894
Liabilities from discontinued operations or held for sale	-	7,927	-	-	-	7,927
Unassigned liabilities	-	-	-	-	-	-
Group liabilities	<u>579,282</u>	<u>53,724</u>	<u>165,828</u>	<u>987</u>	<u>-</u>	<u>799,821</u>
Investments in property, plant and equipment and intangible assets	<u>26,602</u>	<u>932</u>	<u>7,149</u>	<u>-</u>	<u>-</u>	<u>34,683</u>
	2019					
	Thousands of Euros					
	Spain	Other Europe	Latin America	Master franchise and rest of the world	Eliminations	Total
Total revenues	148,460	29,644	40,197	354	(34,698)	183,957
Operating profit/(loss)	5,267	4,274	670	166	-	10,377
Profit/(loss) from continuing operations	2,119	2,497	(2,587)	148	-	2,177
Profit/(loss) from discontinued operations	-	(550)	(311)	(5)	-	(866)

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

The global agreement between the Telepizza Group and Pizza Hut set forth the obligation for the Telepizza Group to use its best efforts to sell its assets in Poland and the Czech Republic to the AmRest group, a master franchisee of Pizza Hut in those markets. AmRest and the Telepizza Group therefore entered into negotiations to this end, coming to a binding agreement in July 2018 whereby AmRest was to acquire the Group's operations in Poland. Regarding the Czech Republic, in August 2018, AmRest and Telepizza reached an agreement to purchase the assets of Forty's Pizza. On completion of the business due diligence at the end of 2018, AmRest confirmed its interest in acquiring the Czech assets.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

On 7 March 2019, the Telepizza Group was informed by AmRest of its decision not to extend the deadline for compliance with the condition relating to the approval of the operation by the competition authorities in Poland and, as a result, terminating the sale-purchase agreement of both the Poland and Czech Republic operations.

In 2019, the Group held talks with several groups interested in acquiring the Poland business, and on the date of authorisation of these consolidated interim accounts, still the terms and conditions for their potential sale are being negotiated.

In view of the foregoing, the Telepizza 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/(loss) from discontinued operations in the condensed interim consolidated income statement, as required by the applicable standards. The sales transactions are expected to be effective in 2020. Moreover, the figures for 2019 were restated to treat as discontinued operations its subsidiaries in Peru and Paraguay, which were sold in August and October 2019, respectively.

In addition, at 31 December 2019 the Group classified as non-current assets held for sale a group of outlets in Spain under the "telepizza" and "Pizza Hut" trademarks.

The non-current assets held for sale of the Polish and Czech subsidiaries, and the set of outlets in Spain under the "telepizza" and "Pizza Hut" trademarks, are measured at their estimated fair value in the sale transaction, which is not higher than the previous carrying amount.

(5) Business Combinations

In January 2020, the Group acquired control of Pizza Hut's Mexico business by means of a subsidiary in Mexico 75%-owned by Tele Pizza, S.A. and 25%-owned by the former owners of the Pizza Hut business in Mexico (see note 1 (a)).

In 2019, the Group acquired a franchise business with 43 outlets in Chile and various outlets in Colombia under the "Pizza Hut" trademark, as well as several operating outlets, primarily in Spain and Portugal.

Aggregate details of the cost of the business combinations, the net assets acquired and goodwill are as follows:

	Thousands of Euros	
	30.06.20	31.12.19
Cost of the combinations, cash paid	10,901	27,531
Less, fair value of net assets acquired	<u>(7,666)</u>	<u>(6,647)</u>
Goodwill (note 8)	<u>3,235</u>	<u>20,884</u>

The goodwill generated on the business combinations in both years is due to the outlets acquired having a good market position.

(Continued)



TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

(6) Property, Plant and Equipment

Details and consolidated balance sheet movements are as follows:

Details	Thousands of Euros					Total
	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Advances and property, plant and equipment under construction	Other property, plant and equipment	
<u>Cost</u>						
Balance at 01/01/19	-	-	-	-	-	-
Additions due to initial business combination	5,309	101,045	12,843	264	13,576	133,037
Additions	24	8,644	2,093	1,917	3,615	16,293
Additions due to business combinations	-	6,410	189	-	48	6,647
Disposals	(3)	(6,206)	(656)	-	(1,130)	(7,995)
Transfers from held for sale	(29)	(8,723)	(955)	-	(1,088)	(10,795)
Other transfers	(24)	1,396	5	(1,199)	(277)	(99)
Translation differences	(239)	(989)	(124)	6	(77)	(1,423)
Balance at 31/12/2019	5,038	101,577	13,395	988	14,667	135,665
Additions	113	4,073	512	789	1,121	6,608
Additions due to business combinations	-	19,585	76	161	18	19,840
Disposals	(49)	(4,343)	(89)	(519)	(136)	(5,136)
Transfers from held for sale	-	(96)	(19)	-	(32)	(147)
Other transfers	-	614	37	(664)	14	1
Translation differences	(181)	(6,017)	(424)	(76)	(327)	(7,025)
Balance at 30/06/2020	4,921	115,393	13,488	679	15,325	149,806
<u>Depreciation or impairment</u>						
Depreciation at 1/01/2019	-	-	-	-	-	-
Impairment at 1/01/2019	-	-	-	-	-	-
Additions of accumulated depreciation due to initial business combination	(3,169)	(54,901)	(7,440)	-	(10,035)	(75,545)
Additions of impairment due to initial business combination	-	(1,796)	-	-	-	(1,796)
Depreciation in the year	(93)	(4,025)	(681)	-	(991)	(5,790)
Disposals	2	3,161	340	-	975	4,478
Transfers from held for sale	23	1,690	169	-	447	2,329
Translation differences	212	471	59	-12	26	768
Impairment	-	(441)	-	-	-	(441)
Depreciation at 31/12/2019	(3,025)	(53,604)	(7,553)	-	(9,578)	(73,760)
Impairment at 31/12/2019	-	(2,237)	-	-	-	(2,237)
Depreciation for the period	(92)	(4,599)	(439)	-	(1,190)	(6,320)
Additions of accumulated depreciation business combination	-	(15,176)	(1)	-	(2)	(15,179)
Disposals	31	2,759	43	-	124	2,957
Transfers from held for sale	-	180	19	-	38	237
Translation differences	152	3,542	182	-	233	4,109
Impairment	-	92	-	-	-	92
Depreciation at 30/06/2020	(2,934)	(66,898)	(7,749)	-	(10,375)	(87,956)
Impairment at 30/06/2020	-	(2,145)	-	-	-	(2,145)
<u>Carrying amount</u>						
At 31/12/2019	2,013	45,736	5,842	988	5,089	59,668
At 30/06/2020	1,987	46,350	5,739	679	4,950	59,705

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

In 2020 and 2019 significant additions were made to technical installations and machinery, mainly reflecting the investments related to new outlets opened, the purchase of franchised outlets, and improvements to existing outlets and to plants, and also reflecting the conversion of outlets to the “Pizza Hut” brand. Additions were also made to furniture and motorcycles. Other installations, equipment and furniture mainly reflect the acquisition of motorcycles and IT equipment for outlets.

Disposals in 2020 and 2019 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 30 June 2020 the Group had no commitments to acquire items of property, plant and equipment. The Group has taken out sufficient insurance policies to cover the risk of damage to its property, plant and equipment.

(7) Leases

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

The details and movements by class of right-of-use assets in 2020 and 2019 were as follows:

	Thousands of Euros
Net carrying amount at 1 January 2019	-
Additions due to initial business combination	83,244
Additions	5,544
Disposals	(674)
Transfers to assets held for sale	(2,311)
Amortisation and depreciation	(12,545)
Derecognition from accumulated depreciation	674
Translation differences	42
Other movements	3,649
Cost, attributed cost or revalued cost	89,494
Cumulative depreciation and impairment losses	(11,871)
Carrying amount at 31 December 2019	77,623
Additions	15,615
Rent updates	3,552
Disposals	(1,168)
Amortisation and depreciation	(9,737)
Derecognition from accumulated depreciation	1,168
Translation differences	(764)
Cost, attributed cost or revalued cost	106,925
Cumulative depreciation and impairment losses	(20,636)
Carrying amount at 30 June 2020	86,289

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

Details of Leases liabilities at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	30.06.20	31.12.19
Long term	118,521	118,886
Short term	50,809	44,224
Lease liabilities	169,330	163,110

Most of the right-of-use assets correspond to leased premises where the Group conducts its activities as well as the plants and headquarters.

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

Movement in net investment in finance lease contracts in 2019 and 2020 is as follows:

	Thousands of Euros
Balance at 1 January 2019	-
Additions due to business combinations	64,698
Finance income	1,709
New contracts	8,702
Receipts	(7,597)
Disposals of subsidiaries	(291)
Transfers to non-current assets held for sale	(683)
Balance at 31 December 2019	66,538
Finance income	1,425
New contracts	2,420
Rent updates	177
Receipts	(6,157)
Translation differences	(1,864)
Balance at 30 June 2020	62,538

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

(8) Intangible Assets and Goodwill

Details of goodwill and movement during the year are as follows:

	<u>Thousands of Euros</u>
<u>Cost</u>	
Balance at 1 January 2019	-
Goodwill on initial business combination (note 1)	331,515
Goodwill on business combinations for the year (note 5)	20,884
Translation differences	266
Disposals	(2,401)
Transfers to assets held for sale (note 4)	(581)
Balance at 31 December 2019	<u>349,683</u>
Goodwill on business combinations for the period (note 5)	3,235
Translation differences	250
Balance at 30 June 2020	<u><u>353,168</u></u>

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

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

	Thousands of Euros					Total
	Concessions, patents and licences	Trademarks	Contractual and other rights	Other property, plant and equipment	Computer software	
<u>Cost</u>						
Balance at 01/01/2019	-	-	-	-	-	-
Additions due to initial business combinations	14,539	265,206	167,499	6	36,458	483,708
Additions	1,474	-	-	-	7,560	9,034
Disposals	(22)	-	-	-	(177)	(199)
Transfers from/to held for sale	(45)	-	-	-	(116)	(161)
Translation differences	167	-	-	-	(171)	(4)
Balance at 31/12/2019	16,113	265,206	167,499	6	43,554	492,378
Additions	456	16	-	-	3,586	4,058
Disposals	(18)	-	-	-	(83)	(101)
Additions due to business combinations	905	-	-	-	37	942
Translation differences	(189)	-	(3)	-	(167)	(359)
Balance at 30/06/2020	17,267	265,222	167,496	6	46,927	496,918
<u>Amortisation or impairment</u>						
Amortisation at 01/01/2019	-	-	-	-	-	-
Impairment at 01/01/2019	-	-	-	-	-	-
Additions due to initial business combinations	(970)	-	-	-	(23,896)	(24,866)
Depreciation for the year	(346)	(148)	(4,392)	-	(3,057)	(7,943)
Disposals	-	-	-	-	82	82
Translation differences	(96)	-	-	-	449	353
Impairment	8	-	-	-	(871)	(863)
Amortisation at 01/01/2019	(1,412)	(148)	(4,392)	-	(26,422)	(32,374)
Impairment at 01/01/2019	8	-	-	-	(871)	(863)
Depreciation for the year	(922)	(86)	(3,350)	-	(3,198)	(7,556)
Disposals	17	-	-	-	53	70
Additions due to business combinations	(74)	-	-	-	-	(74)
Translation differences	50	-	3	-	144	197
Impairment	-	-	-	-	-	-
Amortisation at 30/06/2020	(2,341)	(234)	(7,739)	-	(29,423)	(39,737)
Impairment at 30/06/2020	8	-	-	-	(871)	(863)
<u>Carrying amount</u>						
At 31/12/2019	14,709	265,058	163,107	6	16,261	459,141
At 30/06/2020	14,934	264,988	159,757	6	16,633	456,318

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

In the process of allocating the purchase price of the shares of Telepizza Group, S.A, owner of the brands "telepizza", "Jeno's pizza" and "Apache", these have been valued at their fair value amounting Euros 236,030 thousand, Euros 998 thousand and Euros 28,178 thousand, respectively. Likewise, in the aforementioned business combination, the contractual rights arising from franchise contracts amounting Euros 167,485 thousand have been recorded at fair value.

Both the "telepizza" and "Apache" brands are considered an intangible asset with an indefinite useful life, and "Jeno's pizza" brand due to, among the obligations included in the agreements reached with Pizza Hut, it is established that all the Group's stores in Colombia are converted to "Pizza Hut" in a period not exceeding five years has an estimated useful life of 3 years.

At 30 June 2020 and 31 December 2019, the Group has no commitments to purchase intangible assets.

(9) Non-current Financial Assets

Details of other non-current financial assets at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	30.06.20	31.12.19
Security and other deposits	6,158	6,741
Non-current trade receivables	14,615	20,322
Other loans and receivables	6,661	2,944
Impairment losses	(3,717)	(3,825)
	<u>23,717</u>	<u>26,182</u>

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.

(10) Trade and Other Receivables

Details are as follows:

	Thousands of Euros	
	30.06.20	31.12.19
Trade receivables	57,637	59,077
Other receivables	3,478	4,206
Public entities	9,752	11,306
Impairment losses	(17,171)	(16,672)
Trade and other receivables	<u>53,696</u>	<u>57,917</u>

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

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.

(11) Cash and Cash Equivalents

Details at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	30.06.20	31.12.19
Cash in hand and at banks	64,083	47,857
Cash and cash equivalents	64,083	47,857

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.

The amount of the cash and cash equivalents includes Euros 10,000 thousand related to the ICO loan (see note 13) that are not available for use until that the guarantees associated with this loan will be formalized, which at 30 June 2020 are in process.

(12) Equity

(a) Capital

At 30 June 2020 the share capital of Tasty Bidco, S.L. was represented by 2,661,602 ordinary shares, each with a par value of Euros 1, of a single class and series and represented by book entries. All the shares are fully subscribed and paid up by the sole shareholder Tasty Debtco S.à. r.l.

(b) Share premium

At 30 June 2020, the share premium is freely distributable.

(c) Retained earnings

• Legal reserve

The Parent 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.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

As of 30 June 2020, the Parent Company has no legal reserve since, since its incorporation in 2018, it has incurred losses.

- Shareholder contributions

During 2020, no additional contributions have been made by the sole shareholder of the Company.

(d) Translation differences

These are mainly those generated by the subsidiaries using currencies other than the Euro, since the inclusion in the Group of the Telepizza sub-group in May 2019, and those generated by business combinations subsequent to that date.

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

(a) Debentures and bonds

As a result of the public offering for shares (see note 1), on 12 June 2019 the subsidiary Telepizza Group, S.A. completed the refinancing of its 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 per annum 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 syndicated loan guarantees were released and guarantees were provided to bondholders.

Moreover, linked to the financing obtained through issuance of the bond, the Group has a revolving credit facility lent by four banks for a maximum drawdown amount of Euros 45,000 thousand, at an interest rate of 3.25% and maturing in 2026. At 30 June 2020 this credit facility is fully drawn and at 31 December 2019 there were no drawn amounts under this credit facility.

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.

Details of non-current loans and borrowings at 30 June 2020 and 31 December 2019 are as follows:

(Continued)



TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

Type	Thousands of Euros				
	Final maturity date	Deadline	Balance 30/06/2020	Balance 31/12/2019	Interest rate
<b>Senior</b>					
Bond	2026	335,000	335,000	335,000	6.25%
Revolving credit facility	2025	45,000	45,000	-	3.25%
ICO loan	2025	10,000	10,000	-	3.61%
Arrangement costs			(15,686)	(17,222)	
Balance at			<u>374,314</u>	<u>317,778</u>	

At 30 June 2020 and 31 December 2019, the accrued interest payable on these loans amounted to Euros 10,036 thousand and Euros 13,798 thousand, respectively (see note 19(b)). An amount of Euros 968 thousand and Euros 1,542 thousand, respectively was recognised under interest expenses relating to the measurement of the bond issuance costs at amortised cost.

On 5 June 2020, the Group has signed in Spain a loan granted by the ICO of Euros 10,000 thousand with a 5-year maturity, with a grace period of 1 year (see note 11).

The Group has pledged the shares of Tele Pizza, 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 the verification of compliance with certain ratios, and, or, other test, including, in the case of significant investments, increases in indebtedness, dividend payment or the sale of material assets.

(b) Current loans and borrowings

Details of current financial debt in the consolidated statement of financial position at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
Accrued interest (note 13 (a))	10,036	13,798
Reverse factoring lines	4,998	
Credit facility	2,164	2,374
Other debts	-	126
	<u>17,198</u>	<u>16,298</u>

Reverse factoring lines correspond to a 90 days payment extension granted by financial institutions for the reverse factoring transactions.

Credit facility corresponds to a credit facility borrowed to Telepizza Chile to tackle various local payment obligations.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

(14) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	30.06.20	31.12.19
Trade payables and other payables	83,621	95,180
Public entities	8,465	9,153
Salaries payable	8,256	6,295
	<u>100,342</u>	<u>110,628</u>

At 30 June 2020 trade payables include Euros 20,028 thousand payable to financial institutions for reverse factoring transactions (Euros 12,888 thousand at 31 December 2019).

(15) Income

Revenue from contracts with customers

Details are as follows:

	Thousands of Euros	
	30.06.20	30.06.19
Outlet sales to customers	82,210	81,192
Wholesale factory sales to franchisees and other sales	49,895	59,543
Royalty and marketing fees	28,984	34,694
Revenue from franchising activity	622	4,705
Other services rendered to franchisees	2,604	543
Income from incentives (note 1)	-	3,280
	<u>164,315</u>	<u>183,957</u>

(16) Employee Benefits Expense

Details of personnel expenses in 2020 and 2019 are as follows:

	Thousands of Euros	
	30.06.20	30.06.19
Salaries, wages and similar	42,351	39,058
Social Security	5,872	7,036
Termination benefits	812	176
Other employee benefits expenses	167	809
Total personnel expenses	<u>49,202</u>	<u>47,079</u>

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

(17) Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	30.06.20	30.06.19
Fees and royalties	2,509	4,118
Transport	6,985	8,175
Advertising and publicity	9,352	9,822
Utilities	7,014	5,731
Other expenses	26,549	30,585
	52,409	58,431

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

(18) Income Tax

Details of deferred tax assets are as follows:

Deferred tax assets	Thousands of Euros				
	Non-deductible amortisation /depreciation	Tax credits and deductions	Leases	Other	Total
Balance at 31/12/2019	2,037	8,048	2,960	8,195	21,240
Taken/(Charge) to the income statement	-	42	(748)	3,268	2,562
Balance at 30/06/2020	2,037	8,090	2,212	11,463	23,802

The deferred tax assets recognized as at 30 June 2020 mainly correspond to negative tax bases generated by the Group companies, Telepizza Group, S.A., Tele Pizza, S.A. and Mixor, S.A.

Other deferred tax assets include the tax effect of impairment of trade debts in Chile in the amount of 3,150 thousand euros.

The Group has recognized the deferred tax assets corresponding to certain tax credits for losses to be compensated, because the Management consider that it will be possible to recover these credits, based on the approved business plans. Due to the limitations established by the tax regulations on the deductibility of financial expenses, the Tax Group in Spain has been obtaining positive taxable bases and will continue to do so in the coming years, except in 2018 and 2019 for non-recurring expenses.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

According to the estimates of results for the coming years, from the budgets approved by the Board of Directors and considering the estimated tax adjustments to be made to the accounting result.

In the case of Spanish Companies and in accordance with Royal Decree-Law 3/2018, the compensation limits for negative tax bases have been modified to 25% of the tax base. However, in any case, negative tax bases up to an amount of 1 million euros can be offset in each year.

Details of deferred tax liabilities by item are as follows:

Deferred tax liabilities	Thousands of Euros			
	Accelerated depreciation/a mortisation	Intangible assets	Other	Total
Balance at 31/12/2019	12	102,742	1,122	103,876
Taken to the income statement	(6)	(852)	-	(858)
Balance at 30/06/2020	6	101,890	1,122	103,018

The deferred tax liability related to intangible assets corresponds to the tax effect of various intangibles, mainly brands, and contractual rights arising from business combinations of previous year, as detailed in note 8. This deferred tax is reduced each year as the intangibles with a defined useful life are amortized and will not generate any cash outflow from the Group.

Based on the tax returns filed by the Group companies in 2019 and prior years, the Group has no available deductions.

The Group companies calculated the income tax provision at 30 June 2020, in line with the legislation in force in each of the countries in which it carries on its activities.

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 30 June 2020, the Company had all the main taxes applicable to it open for review by the tax authorities from 1 January 2015.

Due to, among other things, the different interpretations that may be afforded to the tax regulations applicable to the Group, certain additional liabilities could arise as the result of an inspection. However, in the opinion of the Parent's directors, should such liabilities arise they would not have a material impact on the financial statements.

(19) Commitments

At 30 June 2020 and 31 December 2019, the Group has no commitments relating to investing activities.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

## Notes to the Condensed Consolidated Interim Financial Statements

Six-month period ended at 30 June 2020

In the six-month period ended 30 June 2020, there were no significant variations in the securities granted with respect to 31 December 2019. The Group had contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 6,052 thousand at 31 December 2019. No significant liabilities are expected to arise from these guarantees.

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

During the six-month period ended 30 June 2020, the Parent's directors received remuneration of Euros 451 thousand (Euros 1,942 thousand in 2019). Moreover, the Group has extended loans or advances to the directors totalling Euros 1,386 thousand (Euros 1,337 thousand at 31 December 2019). These loans are secured by the directors with certain shares of the Parent. The savings plan contributions made amounted to Euros 3 thousand (Euros 6 thousand in 2019).

During the six-month period ended 30 June 2020, the members of the Group's senior management received remuneration of Euros 713 thousand (Euros 1,990 thousand in 2019). Moreover, the Group has extended loans or advances to senior management totaling Euros 1,211 thousand (Euros 1,293 thousand in 2019). These loans are secured by the senior management personnel with certain shares of the Parent. The savings plan contributions made amounted to Euros 4 thousand (Euros 4 thousand in 2019)

In 2020 and 2019 the Parent'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.

(21) Environmental Information

The Group's operations are subject to legislation governing environmental protection and health and safety in the workplace (environmental protection and safety-in-the-workplace 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 30 June 2020 and 31 December 2019.

(22) Events occurring after the reporting period

Operations in the Czech Republic were halted as of 30 April 2020 and as of 30 June 2020 the Group has dismissed all employees, closed the stores and initiated steps to liquidate the subsidiary.

(Continued)

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

### ***Corporate history – Telepizza 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 suspended trading on Spain's stock exchanges. 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 subsequent years the Group opened its first outlet in Peru and entered the airline catering sector. In 2012, Telepizza established a 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 shareholders at the Telepizza Group's General Meeting approved a strategic alliance and a multi-country master franchise agreement between Telepizza Group 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 pizzerias company with nearly 17,000 restaurants in over 100 countries. As a result of the transaction, 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.

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

On the back of the transaction, the Company was able to develop and improve its capacity to manage networks and supply pizza dough and ingredients while fostering its international growth (taking advantage of the synergies existing between both groups). At 30 June 2020 the store count of the Group amounted to 2,551 stores of which 2,376 are operated in the MF countries under the YUM alliance. System sales of €486m in the first semester of 2020 were impacted by the covid -19 restrictions.

### **Corporate and capital structures**

Please see below for information on the voluntary takeover bid for all shares in Telepizza Group, S.A. by Tasty Bidco, S.L.U., an investment vehicle wholly-owned by funds and accounts managed or advised by KKR Credit Advisors (US) LLC or affiliated entities Torreal, Safra, Artá and Altamar as co-investors, which was approved by the Spanish National Securities Market Commission (CNMV).

On 21 January 2019, Tasty Bidco S.L.U., filed with the Spanish National Securities Market Commission (CNMV) a voluntary takeover bid of Euros 6.00 per share for all the shares of Telepizza Group, S.A. Tasty Bidco S.L.U. filed the bid with the CNMV on 25 March and it was approved and published by the CNMV on 28 March 2019. 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.U. 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.U. which completed a Euro 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. The bonds accrue interest at an annual rate of 6.25%. The bonds will mature on 15 May 2026 and Foodco Bondco S.A.U. (which effectively succeeded Tasty Bondco 1, S.A. as Issuer in February 2020) will pay interest on the bonds half-yearly every 15 January and 15 July, from 15 January 2020.

As part of the recapitalisation of the Telepizza Group, the Company's shareholders, at their General Meeting held on 17 June 2019, approved the distribution of an extraordinary dividend charged to unrestricted reserves amounting to Euros 130,936,882.70.

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

Furthermore, the General Meeting of Shareholders of the Telepizza Group, held on 17 June 2019, also approved the delisting of shares traded in the Securities Markets of Madrid, Barcelona, Bilbao and Valencia and, as a result, in the electronic market, in accordance with the exemption provided in article 11.d) of Royal Decree 1066/2007. Trading in Telepizza Group, S.A. shares was suspended on 9 July 2019, and the shares were effectively delisted on 26 July 2019. As of 10 July 2019, after the expiration of the sustained order for the purchase of shares in Telepizza Group, Tasty Bidco, S.L. held 84,566,689 shares in Telepizza, representing 83.96% of the share capital of Telepizza Group, S.A.

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

As previously stated, Tasty Bondco 1, SA.U., a limited liability company incorporated in accordance with the laws of Spain, issued on 3 May 2019 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 2020 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.



TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

***The Group's position and business performance***

**Reconciliation of the statement of profit or loss (IFRS 16) for the 6-month period ended 30 June 2020 and 2019**

	Thousands of Euros		
	30/06/2020	IFRS 16	30/06/2020 without IFRS 16
Revenues	164,315	6,179	170,494
Merchandise and raw materials used	(49,836)	-	(49,836)
Employee benefits expense	(49,202)	-	(49,202)
Depreciation and amortisation	(23,613)	9,737	(13,876)
Other expenses	(52,409)	(17,922)	(70,331)
Other losses	(1,255)	1,880	625
Loss from operating activities	<u>(12,000)</u>	<u>(126)</u>	<u>(12,126)</u>
Finance income	1,783	(1,430)	353
Finance costs	<u>(18,207)</u>	<u>4,208</u>	<u>(13,999)</u>
Loss before tax from continuing operations	(28,424)	2,652	(25,772)
Income tax expense	<u>175</u>	<u>(427)</u>	<u>(252)</u>
Loss for the year from continuing operations	(28,249)	2,225	(26,024)
Loss of discontinued operations	<u>(2,462)</u>	<u>223</u>	<u>(2,239)</u>
Loss for the period	<u>(30,711)</u>	<u>2,448</u>	<u>(28,263)</u>
Loss attributable to non-controlling interests	<u>(3,533)</u>	<u>310</u>	<u>(3,223)</u>

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

	Thousands of Euros		
	30/06/2019	IFRS 16	30/06/2019 without IFRS 16
Revenues	183,957	5,401	189,358
Merchandise and raw materials used	(48,462)	-	(48,462)
Employee benefits expense	(47,079)	-	(47,079)
Depreciation and amortisation	(16,897)	8,107	(8,790)
Other expenses	(58,431)	(14,746)	(73,177)
Other losses	(2,711)	1,681	(1,030)
<b>Profit from operating activities</b>	<b>10,377</b>	<b>443</b>	<b>10,820</b>
Finance income	1,723	(1,284)	439
Finance costs	(9,923)	3,414	(6,509)
<b>Profit before tax from continuing operations</b>	<b>2,177</b>	<b>2,573</b>	<b>4,750</b>
Income tax expense	(1,209)	(369)	(1,578)
<b>Profit for the year from continuing operations</b>	<b>968</b>	<b>2,204</b>	<b>3,172</b>
Profit of discontinued operations	(866)	45	(821)
<b>Profit for the period</b>	<b>102</b>	<b>2,249</b>	<b>2,351</b>
Profit attributable to non-controlling interests	429	-	429

**System sales 6-month period ended 30 June 2020**

	EMEA	LatAm	Total
<b>System sales<sup>1</sup> growth</b>			
Growth in system sales <sup>1</sup> in constant currency (%)	-11.3%	-27.3%	-19.3%
Growth in system sales <sup>1</sup> in constant currency - Telepizza (%)	-8.8%	-45.7%	-14.4%
Growth in system sales <sup>1</sup> in constant currency - Pizza Hut (%)	-26.8%	-23.9%	-24.3%

<sup>1</sup> Excluding the discontinued operations in Poland and the Czech Republic,

<sup>2</sup> Including personnel costs, leases, advertising, logistics and other expenses

<sup>3</sup> Detailed in the section "Alternative performance measures"

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

**Summary of the 6-month period ended 30 June 2020 statement of profit or loss (excluding discontinued operations and non-recurring and non-operating items)**

(millions of Euros)	6M 2020 (without effect of IFRS 16)	6M 2019 (without effect of IFRS 16)	% change
Own outlet sales	82.2	81.2	1.3%
Supply chain, royalties, marketing fee and other revenue	88.3	108.2	-18.4%
<b>Revenues</b>	<b>170.5</b>	<b>189.4</b>	<b>-10.0%</b>
Product cost	-49.6	-47.7	4.0%
<i>% Gross margin</i>	<i>70.9%</i>	<i>74.8%</i>	<i>-3.9p.p.</i>
Operating expenses	-114.0	-108.5	5.1%
<b>Adjusted EBITDA</b>	<b>6.9</b>	<b>33.3</b>	<b>-79.3%</b>
<i>% adjusted EBITDA margin</i>	<i>4.1%</i>	<i>17.6%</i>	<i>-13.5 p.p</i>
Non-recurring /operating expenses <sup>3</sup>	-5.8	-8.7	<i>n.m</i>
Phasing impacts <sup>3</sup>	-	-3.7	<i>n.m</i>
<b>EBITDA reported</b>	<b>1.1</b>	<b>20.8</b>	<b>-94.6%</b>

In the first 6 months of 2020, the Group reported a decline in system sales (which includes the total sales of own stores, franchisees and master franchisees) of 20.3% to Euros 486 million, compared with Euros 610 million in the same period of 2019 (excluding discontinued operations in Poland and the Czech Republic). This translated into a decrease of -10.0% in revenues, to Euros 170.5 million, compared with Euros 189.4 million in the same period of 2019 due to the covid-19 situation since mid-March impacting the different regions in which we operate. However, it's important to highlight that the comparison by revenue line is not fully correct as part of the increase in Own stores sales is explained by the acquisition of 45 outlets of the Chilean Pizza Hut franchisee in July 2019 and the Pizza Hut's Mexico business in January 2020.

EBITDA reported in H1 2020 amounted to Euros 1.1 million, compared with Euros 20.8 million in the same period of 2019 (-94.7%), Adjusted EBITDA excludes non-recurring and non-operating costs amounted to Euros 6.9 million, compared with Euros 33.3 million in the same period of 2019 (-79.3%).

The decrease in adjusted EBITDA was the result of (i) the forced shutdown of part of the store network and the limitations to provide and sell normally our services and products to our customers due to COVID19 from mid-march 2020, especially our dine in business, adversely impacting our H1 results given the impossibility to fully adapt the company structure to such a sudden revenue drop, (ii) the impact in Spain's minimum wage in 2020, (ii) the impact of the updating process and launch of Pizza Hut outlets in Spain and (iii) the low market performance in Chile after the macroeconomic disruption and worsening consumer sentiment from July 2018, in addition to the riots and social protests which began in October 2019 and reignited again in February 2020 ,

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

During the year, Telepizza Group has focused on building an efficient growth platform for the new Pizza Hut business. Our supply chain system has been approved to cover the Pizza Hut perimeter, the new pizza dough production plants were completed in this period and the expected progress has been achieved in connection with M&A transactions.

**M&A**

In January 2020 the acquisition of the Pizza Hut business in Mexico was formalised, by means of the creation of a joint venture 75%-owned by the Telepizza Group and 25%-owned by the previous Pizza Hut investor in Mexico. This acquisition represents an excellent opportunity to invest in the largest restaurant market in Latin America.

Operations in the Czech Republic were halted as of 30 April 2020 and as of 30 June 2020 the Group has dismissed all employees, closed the stores and initiated steps to liquidate the subsidiary.

**EMEA**

System sales in EMEA decreased by -11.3% in this semester, to Euros 265.3 million, compared with Euros 299.1 million in the same period of 2019 (excluding discontinued operations in Poland and the Czech Republic).

Spain and Portugal: Spain and Portugal had solid top line performance until mid-March. Since then, there has been a sudden drop in sales due to COVID-19 confinement measures (Spain: delivery only and Portugal: delivery and take away), PH sales were more severely impacted as the brand has a relatively larger weight to dine-in sales.

Rest of Europe: Relatively limited impact from COVID-19 due to softer quarantine measures.

**Latam**

System sales in LatAm decreased by -27.3% in this semester, to Euros 220.4 million, compared with Euros 303.1 million in the same period of 2019.

Despite the negative impact from social unrest in Chile during January and February, Latam experienced positive top line growth through to mid-March in both equity and MF countries across the region until the confinement was decreed in all countries.

Relative to Latam there was a higher COVID-19 impact due to the higher weight of dine-in sales and stricter quarantine measures (including curfews and mall closures) in some of the countries.

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

**Expansion of the store network (continued operations)**

At 30 June 2020, the total number of stores in the countries where the group operates is 2,551: 1,431 TPZ, 1,120 PH and 1,216 in EMEA and 1,335 in Latam. 2,376 are the stores located in countries within the perimeter of the YUM master franchise (Spain, Portugal, Switzerland and Latin America, except Brazil). Total number of stores in 2019 were 2,598. The decrease is mostly due to closing of stores allowed under the YUM agreement to reorganise the store network.

We rebranded 5 stores from Telepizza to Pizza Hut, 1 in EMEA and 4 in Latam.

Discontinued operations in Poland and the Czech Republic, classified as available for sale, had a total of 87 outlets at 30 June 2020 not included in above store count number

***Covid-19 impact***

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 are taking restrictive measures to curb the spread, which include: isolation, confinement, 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. In Spain, the government approved Royal Decree 463/2020, of 14 March, declaring a state of emergency in order to manage the healthcare crisis unleashed by the Covid-19 outbreak.

This situation is having 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, exchange rates and cuts in long-term interest rates.

The governments have approved various extraordinary emergency measures to mitigate the economic and social impact of the Covid-19 outbreak.

The health alert triggered by the coronavirus pandemic led the Group to devise a “Covid-19 Prevention Protocol” comprising the safety measures it has rolled out to tackle the situation with the best possible health safeguards and always in accordance with strict protocols. The aim is to ensure the health and welfare of its employees and customers at all times. The Group has set up a Covid-19 Crisis Committee to monitor the situation closely and to advise all the teams to adopt new safety measures in the event of any change in the situation or new guidelines from health authorities or the government.

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.

The Group has continued to conduct its business, maintaining primarily the home delivery service. However, 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, and the Group’s executives have agreed to reduce their salaries by 25%.

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

The Group is analysing the possible alternatives for optimizing its current capital structure, in order to (i) adapt it to the new business circumstances and the economic and competitive environment as a consequence of COVID-19, and (ii) obtain the necessary financial resources to fully develop the business plan for the coming years.

In this line, the Group is in contact with various financial entities in Spain to explore access to more loans guaranteed by the ICO designed to cover the temporary impacts derived from COVID, as well as analysing other financing alternatives.

Moreover, the Group is reviewing the conditions of its alliance with Yum! (Pizza Hut), the terms of which, negotiated before the pandemic, need to be adapted to the new social and economic reality in which the business expects to develop in the coming years and taking into account the financial and liquidity capacities necessary to face up to its commitments,

At the date of this management report, the Group expects that the impact of the aforementioned events on the business and financial results of the Group could be significant. However, given the current uncertainty about the size and duration of the effects that COVID-19 might have on our own business and our franchisees, the economy in the countries where we are present or the consumers behaviour in this new environment, as well as the final outcome of the negotiation with Yum! and the analysis on our capital structure, such impact cannot yet be estimated reliably.

The Board of Directors will duly assess the impact of all aforementioned events on the cash flows, equity and financial position and results of operations of the Group (including any asset impairment) as soon as there is sufficient information for an accurate and supported judgement.

### *Alternative performance measures*

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

- **System sales:** System sales are own store sales plus franchised and master franchised store sales as reported to us by the franchisees and master franchisees.
- **LFL system sales growth:** LFL system sales growth is system sales growth after adjustment for the effects of changes in scope and the effects of changes in the euro exchange rate as explained below:
  - Scope adjustment. If a store has been open for the full month, we consider that an “operating month” for the store in question; if not, that month is not an “operating month” for that store. LFL system sales growth takes into account only variation in a store's sales for a given month if that month was an “operating month” for the store in both of the periods being compared. The scope adjustment is the percentage variation between two periods resulting from dividing (i) the variation between the system sales excluded in each of such periods (“excluded system sales”) because they were obtained in operating months that were not operating months in the comparable period, by (ii) the prior period's system sales as adjusted to deduct the excluded system sales of such period (the “adjusted system sales”). In this way, we can see the actual changes

TASTY BIDCO, S.L.  
AND SUBSIDIARIES

Directors report

30 June 2020

in system sales between operating stores, removing the impact of changes between the periods that are due to store openings and closures; and

- Euro exchange rate adjustment. We calculate LFL system sales growth on a constant currency basis in order to remove the impact of changes between the euro and the currencies in certain countries where the Group operates. To make this adjustment, we apply the monthly average euro exchange rate of the operating month in the most recent period to the comparable operating month of the prior period.
- **EBITDA:** EBITDA is earnings before interest, tax, depreciation and amortisation.
- **Reported EBITDA:** EBITDA is operating profit plus asset depreciation and amortization and other losses, excluding effect of IFRS 16.
- **Adjusted EBITDA:** Adjusted EBITDA is Reported EBITDA adjusted for costs that are non-operating in nature, phasing impacts, and non-recurring costs related to both the Pizza Hut alliance and the new corporate structure.
- **Non-operating items:** Certain expenses, mainly related to onerous leases that are non-operating in nature.
- **Phasing impacts:** Normalization of certain expenses and revenues across the year.
- **Non-recurring costs:** Extraordinary expenses related to the set-up of the Pizza Hut alliance (strategy consulting, legal fees, performance bonuses and other expenses), also extraordinary expenses related to the set-up of new corporate structure (finance consulting, legal fees and other expenses), Covid-19 extraordinary expenses, costs associated to stores closures in M&A operations, and minor impact related to discontinued operations.