# TASTY BIDCO, S.L.
# and Subsidiaries

**Condensed Consolidated Interim Financial Statements**
31 March 2022

**Consolidated Directors' Report for the Three month period ended at 31 March 2022** (un-audited)

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Financial Position
31 March 2022 and 31 December 2021

(Expressed in thousands of Euros)

| Assets | 31.03.2022 | 31.12.2021 |
|---|---|---|
| Property, plant and equipment (note 6) | 81,560 | 76,552 |
| Rights-of-use assets (note 7) | 62,340 | 58,555 |
| Goodwill (note 8) | 238,935 | 238,840 |
| Other intangible assets (note 8) | 430,345 | 433,788 |
| Net investment in subleases (note 7) | 13,173 | 12,668 |
| Deferred tax assets (note 18) | 32,426 | 32,021 |
| Non-current financial assets (note 9) | 17,492 | 16,378 |
| Total non-current assets | 876,271 | 868,802 |
| Inventories | 16,927 | 15,261 |
| Trade and other receivables (note 10) | 48,899 | 55,024 |
| Net investment in subleases (note 7) | 3,598 | 3,993 |
| Other current financial assets | 597 | 637 |
| Other current assets | 5,552 | 1,954 |
| Cash and cash equivalents (note 11) | 39,146 | 58,162 |
| Subtotal current assets | 114,719 | 135,031 |
| Non-current assets held for sale (note 4) | - | - |
| Total current assets | 114,719 | 135,031 |
| Total assets | 990,990 | 1,003,833 |

The accompanying notes form an integral part of the condensed consolidated financial statements for the three-month period ended 31 March 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Financial Position
31 March 2022 and 31 December 2021

(Expressed in thousands of Euros)

| Equity and Liabilities | 31.03.2022 | 31.12.2021 |
|---|---|---|
| Share capital (note 12) | 2,864 | 2,864 |
| Share premium | 268,853 | 268,853 |
| Retained earnings | (203,051) | (194,791) |
| Other shareholder contributions | 165,108 | 165,108 |
| Translation differences | (3,078) | (7,752) |
| Equity attributable to equity holders of the Parent and total equity (note 12) | 230,696 | 234,282 |
| Non-controlling interests | 45,068 | 46,055 |
| Equity | 275,764 | 280,337 |
| Debentures and bonds (note 13(a)) | 323,329 | 322,788 |
| Loans and borrowings (note 13 (b)) | 86,650 | 87,239 |
| Other financial liabilities | 3,281 | 2,827 |
| Lease liabilities (note 7) | 67,296 | 66,588 |
| Deferred tax liabilities (note 18) | 96,072 | 97,138 |
| Provisions | 1,642 | 1,615 |
| Other non-current liabilities | 2,557 | 2,585 |
| Total non-current liabilities | 580,827 | 580,780 |
| Debentures and bonds (note 13(a)) | 4,376 | 9,611 |
| Loans and borrowings (note 13 (b)) | 12,918 | 10,723 |
| Other financial liabilities | 73 | 166 |
| Lease liabilities (note 7) | 24,041 | 22,081 |
| Trade and other payables (note 14) | 88,270 | 95,925 |
| Provisions | 155 | 114 |
| Other current liabilities | 4,566 | 4,096 |
| Subtotal current liabilities | 134,399 | 142,716 |
| Liabilities directly associated with non-current assets held for sale (note 4) | - | - |
| Total current liabilities | 134,399 | 142,716 |
| Total equity and liabilities | 990,990 | 1,003,833 |

The accompanying notes form an integral part of the condensed consolidated financial statements for the three-month period ended 31 March 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Income Statements
for the three-month period ended at 31 March 2022 and 2021

(Expressed in thousands of Euros)

| | 31.03.2022 | 31.03.2021 |
|---|---|---|
| Revenues (note 15) | 95,882 | 87,654 |
| Merchandise and raw materials used | (29,994) | (26,602) |
| Personnel expenses (note 16) | (23,046) | (26,737) |
| Amortisation and depreciation expenses (notes 6, 7 and 8) | (13,445) | (10,987) |
| Other expenses (note 17) | (31,694) | (27,443) |
| Other losses | 98 | 968 |
| Operating profit/(loss) for the period | (2,199) | (3,147) |
| Finance income | 528 | 699 |
| Finance costs | (8,835) | (8,785) |
| Exchange differences | 2,330 | 469 |
| Profit / (Loss) before tax from continuing operations | (8,176) | (10,764) |
| Income tax expense (note 18) | (1,071) | (835) |
| Profit / (Loss) for the period from continuing operations | (9,247) | (11,599) |
| Post-tax loss of discontinued operations (note 4) | - | (240) |
| Profit / (Loss) for the period | (9,247) | (11,839) |
| Profit /(Loss) attributable to non-controlling interests | (987) | (948) |
| Profit / (Loss) for the period attributable to equity holders of the Parent | | |
| Continuing operations | (8,260) | (10,651) |
| Discontinued operations | - | (240) |
| | (8,260) | (10,891) |

The accompanying notes form an integral part of the condensed consolidated financial statements for the three-month period ended 31 March 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income
for the three-month period ended at 31 March 2022 and 2021

(Expressed in thousands of Euros)

| | 31.03.2022 | 31.03.2021 |
|---|---|---|
| Profit / (Loss) for the period | (9,247) | (11,839) |
| Other comprehensive income: | | |
| Items that will be reclassified to profit or loss | | |
| Translation differences of financial statements of foreign operations | 4,674 | 545 |
| Total comprehensive income / (loss) for the period | (4,573) | (11,294) |
| Loss attributable to non-controlling interests | 987 | 948 |
| Total comprehensive income / (loss) for the period attributable to equity holders of the Parent | (3,586) | (10,346) |

The accompanying notes form an integral part of the condensed consolidated financial statements for the three-month period ended 31 March 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Changes in Equity
for the three-month period ended at 31 March 2022 and for the year ended 31 December 2021

(Expressed in thousands of Euros)

| | Share capital | Share premium | Retained earnings | Shareholder contributions | Translation differences | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|
| Balance at 31/12/2020 | 2,662 | 248,942 | (169,825) | 165,108 | (5,940) | 48,149 | 289,096 |
| 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 | - | - | (24,966) | - | (1,812) | (2,094) | (28,872) |
| Balance at 31/12/2021 | 2,864 | 268,853 | (194,791) | 165,108 | (7,752) | 46,055 | 280,337 |
| Loss for the three-month period ended 31 March 2022 | - | - | (8,260) | - | 4,674 | (987) | (4,573) |
| Balance at 31/03/2022 | 2,864 | 268,853 | (203,051) | 165,108 | (3,078) | 45,068 | 275,764 |

The accompanying notes form an integral part of the condensed consolidated financial statements for the three-month period ended 31 March 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows
for the three-month period ended at 31 March 2022 and 2021
(Expressed in thousands of Euros)

| | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit/(loss) of discontinued operations | - | (240) |
| Profit/(loss) before tax from continuing operations | (8,176) | (10,764) |
| *Adjustments for:* | | |
| Amortisation and depreciation (notes 6, 7 and 8) | 13,445 | 10,987 |
| Finance income | (528) | (699) |
| Finance costs | 8,835 | 8,785 |
| Exchanges differences | (2,330) | (469) |
| | 11,246 | 7,600 |
| Change in working capital | | |
| (Increase)/decrease in inventories | (1,666) | (200) |
| (Increase)/decrease in trade and other receivables | 6,125 | (712) |
| (Increase)/decrease in other current and non-current asset | (4,672) | 1,120 |
| Increase/(decrease) in trade and other payables | (7,655) | (10,049) |
| Increase/(decrease) in provisions | 68 | 3,451 |
| Increase/(decrease) in other current and non-current liabilities | 349 | 324 |
| Cash generated from operations | (7,451) | (6,066) |
| Interest received | 528 | 391 |
| Interest paid | (12,126) | (13,782) |
| Tax paid | (171) | (875) |
| Net cash from operating activities | (7,974) | (12,732) |
| Cash flows from investing activities | | |
| Proceeds from sale of property, plant and equipment and intangible assets | 308 | 420 |
| Acquisition of property, plant and equipment | (4,967) | (2,180) |
| Acquisition of intangible assets | (2,161) | (2,514) |
| Cash flows from (used in) discontinued operations | - | 241 |
| Income from sub-leases | 1,204 | 1,866 |
| Net cash used in investing activities | (5,616) | (2,167) |
| Cash flows from financing activities | | |
| Shareholder contribution | - | 16,973 |
| Issuance of debt with credit institutions, net of issue costs | 2,523 | 39,216 |
| Issuance of debt with minority shareholders, net of issue costs | - | 3,026 |
| Cancellation of debt with credit institutions | (800) | (10,000) |
| Lease liability payments | (7,149) | (7,982) |
| Net cash from (used in) financing activities | (5,426) | 41,233 |
| Net increase/(decrease) in cash and cash equivalents | (19,016) | 26,334 |
| Cash and cash equivalents at 1 January | 58,162 | 45,134 |
| Effect of exchange differences | - | - |
| Cash and cash equivalents at 31 March | 39,146 | 71,468 |

(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 Hut", "Pizza World", "Jeno's Pizza" and "Apache", which sell food for consumption at home and on the premises. At 31 March 2022, this activity was carried out through 555 own outlets and 2,000 franchises (556 own outlets and 1,996 franchises at 31 December 2021), located mainly in Spain, Portugal, Chile, Colombia, Ecuador, Mexico, Switzerland and Ireland. 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.

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. supplies all the outlets in Spain and Portugal that are directly operated by the Group or through its franchises. 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.

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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 of 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 local operators. 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.

(a) Relevant events in 2022 and 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 to prevent 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.

The Group took actions for optimising its 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 years and, 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 12(a)).

- 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 13(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 had arranged for an additional amount of Euros 30,000 thousand, maturing in November 2025 (see note 13(b)).

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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 does 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.

Additionally in 2022 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 this interim consolidated financial statements, 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.

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(2) Basis of Presentation

These condensed consolidated financial statements for the three-month period ended 31 March 2022, 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 Subsidiaries at 31 March 2022, 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 interim condensed consolidated financial statements were approved by the Parent's Board of Directors at its meeting held on 26 May 2022.

These condensed consolidated financial statements for the three-month period ended 31 March 2022 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 31 March 2022 and 31 December 2021 of Tasty Bidco, S.L., the condensed consolidated income statements for the three-month period ended 31 March 2022 and 2021, the condensed consolidated statements of comprehensive income for the three-month period ended 31 March 2022 and 2021, the condensed consolidated statements of changes in equity for the three-month period ended 31 March 2022 and for the year ended 31 December 2021, the condensed consolidated cash flow statements for the three-month period ended 31 March 2022 and 2021, together with the explanatory notes to the condensed consolidated interim financial statements for the three-month period ended 31 March 2022 and 2021.

(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 interim condensed consolidated 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 interim condensed consolidated financial statements free from material errors.

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Likewise, although the estimates performed by the Parent Company's directors were calculated based on the best available information at 31 March 2022, 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 31 March 2022, are the same as those used in the consolidated annual accounts for the year ended 31 December 2021.

(d) Standards and interpretations issued

At the date of authorisation for issue of these consolidated annual accounts, no regulations have been adopted by the EU to be applied to the condensed consolidated interim financial statements for the three-month period ended at 31 March 2022 and subsequent periods and having a material impact on the Group.

(e) 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 31 March 2022 and 31 December 2021, the Group comprises the following operating segments:

- Spain
- Rest of Europe
- Latin America
- Rest of the world (there is no activity in this segment during the first quarter of 2022)

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.

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

| | 2022 Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | Spain | Other Europe | Latin America | Rest of world | Total |
| Total revenues | 49,959 | 13,696 | 32,227 | - | 95,882 |
| Operating profit / (loss) | 860 | 2,156 | (5,215) | - | (2,199) |
| Profit/(loss) from continuing operations | (5,065) | 1,636 | (5,818) | - | (9,247) |
| Profit/(loss) from discontinued operations | - | - | - | - | - |
| Segment assets | 720,514 | 86,466 | 184,010 | - | 990,990 |
| Assets from discontinued operations | - | - | - | - | - |
| Group assets | 720,514 | 86,466 | 184,010 | - | 990,990 |
| Segment liabilities | 532,762 | 30,475 | 151,989 | - | 715,226 |
| Liabilities from discontinued operations | - | - | - | - | - |
| Group liabilities | 532,762 | 30,475 | 151,989 | - | 715,226 |
| Investments in property, plant and equipment and intangible assets | 2,544 | 96 | 4,488 | - | 7,128 |

| | 2021 Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | Spain | Other Europe | Latin America | Rest of world | Total |
| Total revenues | 45,689 | 14,490 | 27,475 | - | 87,654 |
| Operating profit / (loss) | (2,764) | 2,394 | (2,765) | (12) | (3,147) |
| Profit/(loss) from continuing operations | (8,613) | 1,417 | (4,391) | (12) | (11,599) |
| Profit/(loss) from discontinued operations | - | (240) | - | - | (240) |
| Segment assets | 802,177 | 77,773 | 139,854 | 1,496 | 1,021,300 |
| Assets from discontinued operations or held-for-sale assets | 6,013 | 7,164 | - | - | 13,177 |
| Group assets | 808,190 | 84,937 | 139,854 | 1,496 | 1,034,477 |
| Segment liabilities | 533,152 | 52,754 | 147,607 | 933 | 734,446 |
| Liabilities from discontinued operations or held-for-sale liabilities | - | 5,256 | - | - | 5,256 |
| Group liabilities | 533,152 | 58,010 | 147,607 | 933 | 739,702 |
| Investments in property, plant and equipment and intangible assets | 3,002 | 191 | 1,497 | - | 4,690 |

(Continued)

(4) 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 management in Poland. The Telepizza outlets in Poland will temporarily continue to operate under the “telepizza” brand.

At 31 March 2022 and 31 December 2021 the Group has no assets classified as held-for-sale.

(5) Business Combinations

During 2022 there isn’t any business combination. In January 2021, the Group acquired 1 operating store from franchisees in Chile.

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

| | Thousands of Euros | |
|---|---|---|
| | 31.03.22 | 31.12.21 |
| Cost of the combinations, cash paid | - | 143 |
| Less, fair value of net assets acquired | - | (40) |
| Goodwill (note 8) | - | 103 |

Goodwill generated in business combinations is due to the stores acquired and the franchise network having a good market position.

## (6) Property, Plant and Equipment

Details and consolidated statement of financial position movements are as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| Details | Land and buildings | Technical installations and machinery | Other install., equipment and furn. | Advances and tangible assets under construction | Other PPE | Total |
| Cost | | | | | | |
| 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 |
| Additions | - | 955 | 22 | 3,842 | 148 | 4,967 |
| Derecognitions | (28) | (1,676) | (68) | (26) | (78) | (1,876) |
| Transfers from held for sale | - | - | - | - | - | - |
| Other transfers | - | 6,276 | 39 | (6,291) | (22) | - |
| Translation differences | 155 | 5,081 | 656 | 629 | 415 | 6,935 |
| Balance at 31/03/2022 | 3,496 | 145,510 | 14,855 | 11,888 | 13,580 | 189,329 |
| Amortisation or impairment | | | | | | |
| 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 | - | (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) |
| Amortisation for the year | (8) | (2,744) | (196) | - | (289) | (3,237) |
| Derecognitions | 3 | 803 | 35 | - | 69 | 910 |
| Other transfers | - | (63) | 50 | - | 13 | - |
| Translation differences | (139) | (2,576) | (280) | - | (362) | (3,357) |
| Derecognitions (impairments) | - | 636 | 8 | - | 22 | 666 |
| Impairment loss | - | - | - | - | - | - |
| Amortisation at 31/03/2022 | (1,625) | (85,664) | (6,430) | - | (7,808) | (101,527) |
| Impairment at 31/03/2022 | - | (5,745) | (492) | - | (5) | (6,242) |
| Carrying amount | | | | | | |
| At 31/12/2021 | 1,888 | 47,409 | 7,668 | 13,736 | 5,851 | 76,552 |
| At 31/03/2022 | 1,871 | 54,101 | 7,933 | 11,888 | 5,767 | 81,560 |

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

(Continued)

In 2022 and 2021 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.

Disposals in 2022 and 2021 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 March 2022 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 2022 and 2021 were as follows:

| | Thousands of Euros |
|---|---|
| Carrying amount at 31 December 2020 | 60,591 |
| Additions | 9,129 |
| Transfers (franchise repurchases) (note 7 (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 | (1,024) |
| Cost, attributed cost or revalued cost | 90,224 |
| Cumulative depreciation and impairment losses | (31,669) |
| Carrying amount at 31 December 2021 | 58,555 |
| Additions | 752 |
| Rental updates | 4,895 |
| Derecognitions | (2,501) |
| Amortisation and depreciation | (4,359) |
| Derecognitions from cumulative depreciation | 2,501 |
| Other changes | (477) |
| Translation differences | 2,944 |
| Cost, attributed cost or revalued cost | 97,216 |
| Cumulative depreciation and impairment losses | (34,876) |
| Carrying amount at 31 March 2022 | 62,340 |

(Continued)

Details of Leases liabilities at 31 March 2022 and 31 December 2021 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.03.22 | 31.12.21 |
| Long term | 67,296 | 66,588 |
| Short term | 24,041 | 22,081 |
| Lease liabilities | 91,337 | 88,669 |

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 2022 and 2021 is as follows:

| | Thousands of Euros |
|---|---|
| Balance at 1 January 2021 | 41,239 |
| Additions | 4,657 |
| Derecognitions | (19,362) |
| Transfers for franchise repurchases (note 7 (a)) | (146) |
| Finance income | 835 |
| Rental updates | (3,615) |
| Receipts | (5,362) |
| Translation differences | (1,585) |
| Balance at 31 December 2021 | 16,661 |
| Finance income | 193 |
| Rental updates | (117) |
| Receipts | (1,024) |
| Other changes | 186 |
| Translation differences | 1,052 |
| Balance at 31 March 2022 | 16,771 |

Derecognitions in 2021 correspond mainly to the transfer of the head lease pursuant to lease contracts to the sub-lessees of the premises.

(Continued)

Details of net investment in subleases at 31 March 2022 and 31 December 2021 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.03.22 | 31.12.21 |
| Long term | 13,173 | 12,668 |
| Short term | 3,598 | 3,993 |
| Lease liabilities | 16,771 | 16,661 |

(8) Intangible Assets and Goodwill

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

| | Thousands of Euros |
|---|---|
| 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 | (2,086) |
| Balance at 31/12/2021 | 238,840 |
| Translation differences | 95 |
| Balance at 31/03/2022 | 238,935 |

As a consequence of the impact of the COVID-19 pandemic on the global economy (see note 1), 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.

(Continued)

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

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | Concession, patents, licences | Trademarks | Contractual and other rights | Software applications | Total |
| Cost | | | | | |
| 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 |
| Additions | 338 | - | 57 | 1,766 | 2,161 |
| Derecognitions | (47) | - | - | (16) | (63) |
| Other transfers | - | - | (497) | 497 | - |
| Translation differences | 250 | - | - | 210 | 460 |
| Balance at 31/12/2021 | 18,610 | 258,059 | 166,981 | 50,827 | 494,477 |
| Amortisation or impairment | | | | | |
| 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 | (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) |
| Amortisation for the year | (238) | (2,071) | (1,675) | (1,865) | (5,849) |
| Derecognitions | 5 | - | - | 10 | 15 |
| Translation differences | (15) | - | - | (192) | (207) |
| Derecognitions (impairment) | 34 | - | - | 6 | 40 |
| Impairment | - | - | - | - | - |
| Amortisation at 31/03/2022 | (2,571) | (8,246) | (19,387) | (32,997) | (63,201) |
| Impairment at 31/03/2022 | - | - | (931) | - | (931) |
| Carrying amount | | | | | |
| At 31 December 2021 | 15,712 | 251,884 | 148,778 | 17,414 | 433,788 |
| At 31 March 2022 | 16,039 | 249,813 | 146,663 | 17,830 | 430,345 |

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

(Continued)

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 were 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 were recorded at fair value.

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.

However, as a result of the early exercise of the purchase option by Yum¡ Brands on the bare ownership of the “Telepizza” brand (see notes 1), 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.

At 31 March 2022 and 31 December 2021, the Group has no commitments to purchase intangible assets.

(9) Non-current Financial Assets

Details of other non-current financial assets are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.03.22 | 31.12.21 |
| Security and other deposits | 4,372 | 4,136 |
| Non-current trade receivables | 11,129 | 10,267 |
| Other loans and receivables | 1,991 | 1,975 |
| | 17,492 | 16,378 |

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 | |
|---|---|---|
| | 31.03.22 | 31.12.21 |
| Trade receivables | 49,229 | 53,354 |
| Other receivables | 3,224 | 3,614 |
| Public entities | 7,059 | 8,555 |
| Impairment losses | (10,613) | (10,499) |
| Trade and other receivables | 48,899 | 55,024 |

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 31 March 2022 and 31 December 2021 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.03.21 | 31.12.20 |
| Cash in hand and at banks | 39,146 | 58,162 |
| Cash and cash equivalents | 39,146 | 58,162 |

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.

(12) 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.

(Continued)

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 March 2022 and 31 December 2021, 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%

(b) Share premium

At 31 March 2022, 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 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.

  As of 31 March 2022, the Parent Company has no legal reserve since, since its incorporation in 2018, it has incurred losses.

- Shareholder contributions

  At 31 March 2022, this reserve is freely distributable.

(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 the Food Delivery Brands 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 syndicated 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 31 March this credit facility is fully drawn down by Food Delivery Brands, S.A.

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 31 March 2022 and 31 December 2021 are as follows:

| | Thousand of Euros | | | | |
|---|---|---|---|---|---|
| Type | Final maturity date | Deadline | Balance 31/03/2022 | Balance 31/12/2021 | Interest rate |
| **Senior** | | | | | |
| Bond | 2026 | 335,000 | 335,000 | 335,000 | 6.25% |
| Arrangement costs | | | (11,671) | (12,212) | |
| Balance at | | | 323,329 | 322,788 | |

Interest accrued during three-month period ended 31 March 2022 and 2021 totalled Euros 5,234 thousand. At 31 March 2022 and 31 December 2021, outstanding unpaid interest on these payables amounted to Euros 4,376 thousand and Euros 9,611 thousand, respectively. Likewise, Euros 541 thousand and Euros 500 thousand were recognised in 2022 and 2021, respectively, under interest finance expenses relating to the measurement of the bond issuance costs at amortised cost.

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 March 2022 and 31 December 2021, all the obligations were fulfilled.

(Continued)

(b) Non-current and current loans and borrowings

Details of current financial debt in the consolidated statement of financial position at 31 March 2022 and 31 December 2021 are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 31/03/2022 | | 31/12/2021 | |
| | Non-current | Current | Non-current | Current |
| Revolving credit facility (note 13 (a)) | 45,000 | - | 45,000 | - |
| ICO loan | 37,710 | 800 | 38,468 | 800 |
| Loans to related parties | 3,626 | 133 | 3,489 | 106 |
| Unpaid accrued interest | - | 332 | - | 655 |
| Reverse factoring lines | - | 9,353 | - | 7,095 |
| Credit facility | - | 2,300 | - | 2,067 |
| Other payables | 314 | - | 282 | - |
| | 86,650 | 12,918 | 87,239 | 10,723 |

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.

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 March the amount of this loan with capitalised interest amounts to Euros 3,626 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.

## (14) Trade and Other Payables

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.03.22 | 31.12.21 |
| Trade payables and other payables | 71,450 | 80,207 |
| Public entities | 7,928 | 7,648 |
| Salaries payable | 8,892 | 8,070 |
| | 88,270 | 95,925 |

At 31 March 2022 trade payables include Euros 17,183 thousand payable to financial institutions for reverse factoring transactions (Euros 18,879 thousand at 31 December 2021).

## (15) Income

### Revenue from contracts with customers

Details are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.03.22 | 31.03.21 |
| Outlet sales to customers | 45,272 | 42,772 |
| Wholesale factory sales to franchisees and other sales | 30,205 | 27,897 |
| Royalty and marketing fees | 18,520 | 15,628 |
| Revenue from franchising activity | 420 | 263 |
| Other services rendered to franchisees | 1,465 | 1,094 |
| | 95,882 | 87,654 |

(Continued)

(16) Employee Benefits Expense

Details of personnel expenses in 2022 and 2021 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.03.22 | 31.03.21 |
| Salaries, wages and similar | 20,434 | 19,841 |
| Social Security | 2,357 | 2,513 |
| Termination benefits | 230 | 4,206 |
| Other employee benefits expenses | 25 | 177 |
| Total personnel expenses | 23,046 | 26,737 |

(17) Other Expenses

Details of other expenses are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 31.03.22 | 31.03.21 |
| Fees and royalties | 8,019 | 5,922 |
| Transport | 3,583 | 3,786 |
| Advertising and publicity | 6,334 | 6,437 |
| Utilities | 4,333 | 3,108 |
| Other expenses | 9,425 | 8,190 |
| | 31,694 | 27,443 |

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).

(18) Income Tax

Details of deferred tax assets are as follows:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| Deferred tax assets | Non-deductible amortisation /depreciation | Tax credits and deductions | Leases | Other | Total |
| Balance at 31/12/2021 | 1,916 | 19,877 | 2,471 | 7,757 | 32,021 |
| Translation differences | | | | 1,119 | 1,119 |
| Taken/(Charge) to the income statement | (368) | (427) | (265) | 346 | (714) |
| Balance at 31/03/2022 | 1,548 | 19,450 | 2,206 | 9,222 | 32,426 |

(Continued)

The deferred tax assets recognised in the consolidated statement of financial position at 31 March 2022 and 31 December 2021 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.

Other deferred tax assets in 2022 and 2021 include the tax effect of the impairment of trade receivables and other temporary differences in Chile amounting to Euros 6,654 thousand (6,654 thousand in 2021).

The Group has recognised deferred tax assets in respect of tax credits for loss carryforwards 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.

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.

Details of deferred tax liabilities by item are as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| Deferred tax liabilities | Accelerated depreciation/amortisation | Intangible assets | Other | Total |
| Balance at 31/12/2021 | 4 | 96,008 | 1,126 | 97,138 |
| Taken to the income statement | - | (1,066) | - | (1,066) |
| Balance at 31/03/2022 | 4 | 94,942 | 1,126 | 96,072 |

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.

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.

(Continued)

- 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 March 2017.

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's Directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

## (19) Commitments

At 31 March 2022 and 31 December 2021, the Group has no commitments relating to investing activities.

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

During the three-months period ended 31 March 2022, the Parent's directors received remuneration of Euros 127 thousand (Euros 200 thousand in 2021). Moreover, the Group has extended loans or advances to the directors totalling Euros 745 thousand (Euros 745 thousand at 31 December 2021). These loans are secured by the directors with certain shares of the Parent. The savings plan contributions made amounted to Euros 1 thousand (Euros 32 thousand in 2021).

During the three-months period ended 31 March 2022, the members of the Group's senior management received remuneration of Euros 602 thousand (Euros 346 thousand in 2021). Moreover, the Group has extended loans or advances to senior management totalling Euros 830 thousand (Euros 830 thousand in 2021). These loans are secured by the senior management personnel with certain shares of the Parent. The savings plan contributions made amounted to Euros 1 thousand (Euros 42 thousand in 2021)

In 2022 and 2021 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.

(Continued)

(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 31 March 2022 and 31 December 2021.

(22) Event after the reporting period

There were not significant events after the reporting period

TASTY BIDCO, S.L.
AND SUBSIDIARIES

Directors report

31 March 2022

## *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 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 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).

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.

**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.).

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 and pay interest half-yearly every 15 January and 15 July, from 15 January 2021.

- 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.

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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. Most governments took restrictive measures to prevent 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.

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 took actions for optimising its 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 years.

**Reconciliation of the statement of profit or loss (IFRS 16) for the 3-month period ended 31 March 2022 and 2021**

| | Thousands of Euros | | |
|---|---|---|---|
| | 31/03/2022 | IFRS 16 | 31/03/2022 without IFRS 16 |
| Revenues | 95,882 | 1,204 | 97,086 |
| Merchandise and raw materials used | (29,994) | - | (29,994) |
| Employee benefits expense | (23,046) | - | (23,046) |
| Depreciation and amortisation | (13,445) | 4,359 | (9,086) |
| Other expenses | (31,694) | (6,812) | (38,506) |
| Other losses | 98 | (73) | 25 |
| Loss from operating activities | (2,199) | (1,322) | (3,521) |
| Finance income | 528 | (193) | 335 |
| Finance costs | (6,505) | 1,233 | (5,272) |
| Loss before tax from continuing operations | (8,176) | (282) | (8,458) |
| Income tax expense | (1,071) | 11 | (1,060) |
| Loss for the year from continuing operations | (9,247) | (271) | (9,518) |
| Loss of discontinued operations | - | - | - |
| Loss for the period | (9,247) | (271) | (9,518) |
| Profit/(loss) attributable to non-controlling interests | (987) | (41) | (1,028) |

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| | Thousands of Euros | | |
|---|---|---|---|
| | 31/03/2021 | IFRS 16 | 31/03/2021 without IFRS 16 |
| Revenues | 87.654 | 1.866 | 89.520 |
| Merchandise and raw materials used | (26.602) | - | (26.602) |
| Employee benefits expense | (26.737) | - | (26.737) |
| Depreciation and amortisation | (10.987) | 4.683 | (6.304) |
| Other expenses | (27.443) | (7.982) | (35.425) |
| Other losses | 968 | (1,436) | (474) |
| Loss from operating activities | (3.147) | (2.869) | (6.016) |
| Finance income | 1.168 | (308) | 860 |
| Finance costs | (8.785) | 1.520 | (7.265) |
| Loss before tax from continuing operations | (10.764) | (1.657) | (12.421) |
| Income tax expense | (835) | 106 | (729) |
| Loss for the year from continuing operations | (11.599) | (1.551) | (13.150) |
| Loss of discontinued operations | (240) | 29 | (211) |
| Loss for the period | (11.839) | (1.522) | (13.361) |
| Profit/(loss) attributable to non-controlling interests | (948) | (244) | (1.192) |

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**System sales 3-month period ended 31 March 2022**

| 2022 vs 2021 in € millions | EMEA | LATAM | TOTAL |
|---|---|---|---|
| System Sales Growth (%) | 10.8% | 24.1% | 16.9% |
| System Sales Growth constant currency (%) | 10.7% | 18.4% | 14.3% |
| System Sales Growth constant currency (%) - Telepizza | 6.3% | 5.1% | 6.2% |
| System Sales Growth constant currency (%) - Pizza Hut | 50.2% | 20.0% | 23.3% |
| Telepizza System Sales weight (%) | 86.3% | 9.6% | 48.8% |
| Pizza Hut System Sales weight (%) | 13.7% | 90.4% | 51.2% |
| TOTAL SALES €m | 151.9 | 145.5 | 297.4 |

**Summary of the income statement for 3-month period ended 31 March 2022 and 31 March 2021 (excluding discontinued operations)**

Below are the Group's revenues from 1 January 2022 to 31 March 2022, and its adjusted and reported EBITDA:

| €m | 3M FY21 | 3M FY22 | % change |
|---|---|---|---|
| *Own Store Sales* | *42.8* | *45.3* | *5.9%* |
| *Supply chain, royalties, marketing & other income* | *46.5* | *51.7* | *11.1%* |
| **Total revenue** | **89.3** | **97.0** | **8.6%** |
| *COGS* | *-26.6* | *-30.0* | *12.7%* |
| *% Gross margin* | *70.2%* | *0.691* | *-1.1 p.p* |
| *Operating expenses* | *-56.7* | *-60.282* | *6.3%* |
| **Adjusted EBITDA** | **6.0** | **6.7** | **11.6%** |
| *% Adjusted EBITDA margin* | *6.7%* | *6.9%* | *0.2 p.p* |
| *Non recurring /operating expenses* | *-5.2* | *-1.2* | *-77.8%* |
| **Reported EBITDA** | **0.8** | **5.5** | **595.3%** |
| | | | |
| **Adjusted EBITDA under IFRS 16** | **12.1** | **12.3** | **1.6%** |
| *% Adjusted EBITDA margin* | *13.6%* | *12.7%* | *-0.9 p.p* |

In the first 3 months of 2022, the Group reported a increase in system sales (which includes the total sales of own stores, franchisees and master franchisees) of 16.9% to Euros 297.4 million, compared with Euros 254.4 million in the same period of 2021. This translated into an increase of 8.6% in revenues, to Euros 97 million, compared with Euros 89.3 million in the same period of 2021, due to the higher sales.

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The increase in sales shows a recovery over the level of 2019 resulting in a +1.9% vs. Q1 2022 vs Q1 2019 at constant.

EBITDA reported in Q1 2022 amounted to Euros 5.5 million, compared with Euros 0.8 million in the same period of 2021 (+595%). Adjusted EBITDA excludes non-recurring and non-operating costs amounted to Euros 6.7 million, compared with Euros 6 million in the same period of 2021, showing an increase of +11.6%.

The increase in the adjusted EBITDA was the result of the increase in sales and the cost cutting actions to adapt the overhead structure offsetting some increase in operational savings linked to temporary rental reductions in 2021 and the raw materials increase

Despite a relative slowdown in March as result of the start of the conflict in Ukraine, top line keeps the positive momentum and the last COVID restrictions have been lifted in those markets still lagging behind (e.g. Ecuador or Perú)

**EMEA**

System sales in EMEA increased by 10.8% in this quarter, to Euros 151.9 million, compared with Euros 137.1 million in the same period of 2021

Spain and Portugal: Strong Q1 sales growth vs. PY (+11.7%) despite the impact of the war in Ukraine and the concerns triggered by the inflation.

Rest of Europe: Solid growth (+4.8%) at constant FX thanks to Apache in Ireland

**Latam**

System sales in LatAm increased by 24.1% in this quarter, to Euros 145.5 million, compared with Euros 117.3 million in the same period of 2021.

Restrictions have been lifted in the vast majority of the markets with only some residual limitations without relevant impact for the business

As of March 31st 2022, 99.7% of stores in the region were opened, also subject to opening limitations

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

On 31 March 2022, the total number of stores in the countries where the group operates is 2,555: 1,380 TPZ, 1,175 PH and 1,221 in EMEA and 1,334 in Latam. 2,374 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 on 31 March 2021 were 2,457.

We rebranded 2 stores from Telepizza to Pizza Hut, both in Latam.

## *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.

- **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.