TASTY BIDCO, S.L.
and Subsidiaries

Condensed Consolidated Interim Financial Statements
30 September 2022

Consolidated Directors' Report for the nine-month period ended at 30 September 2022
(un-audited)

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Financial Position
30 September 2022 and 31 December 2021

(Expressed in thousands of Euros)

Assets	30.09.2022	31.12.2021
Property, plant and equipment (note 6)	83,284	76,552
Rights-of-use assets (note 7)	50,331	58,555
Goodwill (note 8)	238,646	238,840
Other intangible assets (note 8)	422,584	433,788
Net investment in subleases (note 7)	11,654	12,668
Deferred tax assets (note 19)	29,461	32,021
Non-current financial assets (note 9)	17,972	16,378
Total non-current assets	853,932	868,802
Inventories	16,766	15,261
Trade and other receivables (note 10)	56,972	55,024
Net investment in subleases (note 7)	3,822	3,993
Other current financial assets	97	637
Other current assets	5,149	1,954
Cash and cash equivalents (note 11)	26,465	58,162
Total current assets	109,271	135,031
Total assets	963,203	1,003,833

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the nine-month period ended 30 September 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Financial Position
30 September 2022 and 31 December 2021

(Expressed in thousands of Euros)

Equity and Liabilities	30.09.2022	31.12.2021
Share capital (note 12)	2,864	2,864
Share premium	268,853	268,853
Retained earnings	(224,446)	(194,791)
Other shareholder contributions	165,108	165,108
Translation differences	(1,452)	(7,752)
Equity attributable to equity holders of the Parent and total equity (note 12)	210,927	234,282
Non-controlling interests	41,740	46,055
Equity	252,667	280,337
Debentures and bonds (note 13 (a))	324,562	322,788
Loans and borrowings (note 13 (b))	86,974	87,239
Other financial liabilities	1,840	2,827
Lease liabilities (note 7)	54,426	66,588
Deferred tax liabilities (note 19)	94,160	97,138
Provisions	1,810	1,615
Other non-current liabilities	2,511	2,585
Total non-current liabilities	566,283	580,780
Debentures and bonds (note 13(a))	4,376	9,611
Loans and borrowings (note 13 (b))	17,065	10,723
Other financial liabilities	47	166
Lease liabilities (note 7)	22,121	22,081
Trade and other payables (note 14)	95,707	95,925
Provisions	1,339	114
Other current liabilities	3,598	4,096
Total current liabilities	144,253	142,716
Total equity and liabilities	963,203	1,003,833

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the nine-month period ended 30 September 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Income Statements
for the nine-month period ended at 30 September 2022 and 2021

(Expressed in thousands of Euros)

	30.09.2022	30.09.2021 (*)
Revenues (note 15)	302,246	273,763
Merchandise and raw materials used	(98,571)	(82,289)
Personnel expenses (note 16)	(63,577)	(68,438)
Amortisation and depreciation expenses (notes 6, 7 and 8)	(40,320)	(34,464)
Other expenses (note 17)	(100,086)	(88,170)
Other losses (note 18)	16	12,459
Operating profit/(loss) for the period	(292)	12,861
Finance income	1,780	1,813
Finance costs	(25,787)	(26,112)
Exchange differences	2,054	(1,516)
Profit / (Loss) before tax from continuing operations	(22,245)	(12,954)
Income tax expense (note 19)	(3,908)	(1,572)
Profit / (Loss) for the period from continuing operations	(26,153)	(14,526)
Post-tax loss of discontinued operations (note 4)	(7,817)	(7,176)
Profit / (Loss) for the period	(33,970)	(21,702)
Profit /(Loss) attributable to non-controlling interests	(4,315)	(1,545)
Profit / (Loss) for the period attributable to equity holders of the Parent		
Continuing operations	(23,067)	(12,981)
Discontinued operations	(6,588)	(7,176)
	(29,655)	(20,157)

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the nine-month period ended 30 September 2022.

(*) Figures restated

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income
for the nine-month period ended at 30 September 2022 and 2021

(Expressed in thousands of Euros)

	30.09.2022	30.09.2021(*)
Profit / (Loss) for the period	(33,970)	(21,702)
Other comprehensive income:		
Items that will be reclassified to profit or loss		
Translation differences of financial statements of foreign operations	6,300	913
Total comprehensive income / (loss) for the period	(27,670)	(20,789)
Loss attributable to non-controlling interests	4,315	1,545
Total comprehensive income / (loss) for the period attributable to equity holders of the Parent	(23,355)	(19,244)

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the nine-month period ended 30 September 2022.

(*) Figures restated

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Changes in Equity
for the nine-month period ended at 30 September 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 nine-month period ended 30 September 2022	-	-	(29,655)	-	6,300	(4,315)	(27,670)
Balance at 30/09/2022	2,864	268,853	(224,446)	165,108	(1,452)	41,740	252,667

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the nine-month period ended at 30 September 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows
for the nine-month period ended at 30 September 2022 and 2021
(Expressed in thousands of Euros)

	2022	2021 (*)
Cash flows from operating activities		
Profit/(loss) of discontinued operations	(7,817)	(7,176)
Profit/(loss) before tax from continuing operations	(22,245)	(12,954)
Adjustments for:		
Amortisation and depreciation (notes 6, 7 (a) and 8)	40,320	35,459
Finance income	(1,780)	(1,813)
Finance costs	25,787	26,203
Translation differences	(2,054)	1,516
Other Gain and losses	(16)	(12,416)
	32,195	28,819
Change in working capital		
(Increase)/decrease in inventories	(1,505)	513
(Increase)/decrease in trade and other receivables	(1,948)	(2,243)
(Increase)/decrease in other current and non-current asset	(4,249)	4,491
Increase/(decrease) in trade and other payables	(218)	(12,220)
Increase/(decrease) in provisions	1,420	(2,109)
Increase/(decrease) in other current and non-current liabilities	(332)	(1,023)
Cash generated from operations	(6,832)	(12,591)
Interest received	1,230	1,172
Interest paid	(26,217)	(25,613)
Income tax paid	(652)	(3,077)
Net cash from operating activities	(276)	(11,290)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	2,242	3,569
Acquisition of property, plant and equipment	(15,814)	(17,295)
Acquisition of intangible assets	(5,552)	(6,824)
Sub-leases collections	3,314	3,980
Cash flows from (used in) discontinued operations	-	492
Net cash used in investing activities	(15,810)	(16,078)
Cash flows from financing activities		
Shareholder contribution	-	16,973
Issuance of debt with credit institutions, net of issue costs	6,561	40,384
Issuance of debt with related parties, net of issue costs	-	3,026
Cancellation of borrowings from credit institutions	(800)	(10,000)
Lease liability payments	(21,372)	(19,697)
Net cash from (used in) financing activities	(15,611)	30,686
Net increase/(decrease) in cash and cash equivalents	(31,697)	3,318
Cash and cash equivalents at 1 January	58,162	45,134
Effect of exchange differences	-	-
Cash and cash equivalents at 30 September	26,465	48,452

The accompanying notes form an integral part of the condensed consolidated interim financial statements for the nine-month period ended 30 September 2022.

(*) Figures restated

TASTY BIDCO, S.L.
AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements

Nine-month period ended at 30 September 2022

(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 30 September 2022, this activity was carried out through 523 own outlets and 2,010 franchises (556 own outlets and 1,996 franchises at 31 December 2021), located mainly in Spain, Portugal, Chile, Colombia, Ecuador, Mexico 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.

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The Group purchases cheese in Spain through a supplier with whom it has signed a long-term exclusivity agreement and agreed a minimum annual volume. This agreement offers flexibility and enables optimum inventory management. Through its factory and logistics centre in Daganzo (Madrid), Food Delivery Brands, S.A. supplies all the outlets in Spain and Portugal that are directly operated by the Group or through its franchises. The Group also owns another 5 plants in countries where it manufactures dough and it operates through more than 20 logistics platforms. The high volume of purchases gives rise to economies of scale and facilitates the uniformity of the products purchased.

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

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.

On June 2022 the Group made a restructuring plan for the Pizza Hut business in Spain, that implied the closure of all its equity outlets in Spain. The Pizza Hut brand will continue having presence in Spain throughout the existing network of franchised stores (see note 4).

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.

Given the adverse prospects for the rest of 2022 and for 2023 and the Group's difficult liquidity position, the Group intends to engage in discussion with stakeholders, including creditors and Yum!, to effect changes to the business, capital structure and Yum! Alliance.

To assist in this, the Group has engaged Kirkland & Ellis, Uría Menéndez and Houlihan Lokey as advisors to evaluate options available to the Group.

At the date of authorization for issue of this condensed consolidated interim 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.

(2) Basis of Presentation

These condensed consolidated financial statements for the nine-month period ended 30 September 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 30 September 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 24 November 2022.

These condensed consolidated financial statements for the nine-month period ended 30 September 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 30 September 2022 and 31 December 2021 of Tasty Bidco, S.L., the condensed consolidated income statements for the nine-month period ended 30 September 2022 and 2021, the condensed consolidated statements of comprehensive income for the nine-month period ended 30 September 2022 and 2021, the condensed consolidated statements of changes in equity for the nine-month period ended 30 September 2022 and for the year ended 31 December 2021, the condensed consolidated cash flow statements for the nine-month period ended 30 September 2022 and 2021, together with the explanatory notes to the condensed consolidated interim financial statements for the nine-month period ended 30 September 2022 and 2021.

The condensed consolidated income statements and condensed consolidated cash flow statements for the nine-month period ended 30 September 2021 have been restated in order to make them comparable with the figures for 2022 as the Group has classified certain operations as discontinued operations (see note 1(a) and 4).

(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.

Likewise, although the estimates performed by the Parent Company's directors were calculated based on the best available information at 30 September 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 30 September 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 nine-month period ended at 30 September 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 30 September 2022 and 2021, the Group comprises the following operating segments:

- Spain
- Rest of Europe
- Latin America

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	Rest of Europe	Latin America	Total
Total revenues	150,151	43,233	108,862	302,246
Operating profit / (loss)	12,493	4,957	(17,742)	(292)
Profit/(loss) from continuing operations	(5,528)	3,966	(24,591)	(26,153)
Profit/(loss) from discontinued operations	(7,817)	-	-	(7,817)
Segment assets	635,005	127,852	200,346	963,203
Assets from discontinued operations or held-for-sale assets	-	-	-	-
Group assets	635,005	127,852	200,346	963,203
Segment liabilities	493,552	33,185	183,799	710,536
Liabilities from discontinued operations or held-for-sale liabilities	-	-	-	-
Group liabilities	493,552	33,185	183,799	710,536
Investments in property, plant and equipment and intangible assets	7,000	647	13,719	21,366

	2021			
	Thousands of Euros			
	Spain	Rest of Europe	Latin America	Total
Total revenues	141,050	42,432	90,281	273,763
Operating profit / (loss)	14,262	7,186	(8,587)	12,861
Profit/(loss) from continuing operations	(3,383)	4,529	(15,672)	(14,526)
Profit/(loss) from discontinued operations	(2,458)	(4,718)	-	(7,176)
Segment assets	762,950	83,050	145,495	991,495
Assets from discontinued operations or held-for-sale assets	-	-	-	-
Group assets	762,950	83,050	145,495	991,495
Segment liabilities	485,626	53,974	166,615	706,215
Liabilities from discontinued operations or held-for-sale liabilities	-	-	-	-
Group liabilities	485,626	53,974	166,615	706,215
Investments in property, plant and equipment and intangible assets	10,661	1,204	12,246	24,111

(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.

On 25 June 2021, the Group sold its Polish business to its local headquarters in Poland. As a result of this sale, the Group incurred losses totalling Euros 4,362 thousand, which was recognised in the condensed consolidated income statement for the nine-month period ended 30 September 2021 under profit/(loss) from discontinued operations.

At 30 September 2022 and 31 December 2021 the Group has no assets classified as held-for-sale.

On June 2022 the Group made a restructuring plan for the Pizza Hut business in Spain, that implied the closure of all its equity outlets in Spain. The Pizza Hut brand will continue having presence in Spain throughout the existing network of franchised stores (see note 1(a)).

As a consequence, an impairment of non-current assets corresponding to property, plant and equipment and other intangible assets were recognized for an amount of Euros 2,980 thousand and were recognized provisions for the closure or sale of Pizza Hut equity outlets business in Spain for an amount of Euros 2,291 thousand.

In view of the foregoing, the Pizza Hut equity outlets business in Spain have been classified as profit/loss from discontinued operations in the condensed consolidated income statement, as required by the applicable standards (see note 2 (a)).

(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	
	30.09.22	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 furniture,	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	-	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)	2	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	-	3,769	225	11,212	608	15,814
Derecognitions	(50)	(9,423)	(1,495)	15	(1,213)	(12,166)
Other transfers	14,326	(4,724)	8,381	(22,039)	4,056	-
Translation differences	103	8,471	305	1,606	486	10,971
Balance at 30/09/2022	17,748	132,967	21,623	4,530	17,054	193,922
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 period	(19)	(8,794)	(571)	-	(803)	(10,187)
Derecognitions	25	5,076	950	-	934	6,985
Other transfers	17	(76)	50	-	9	-
Translation differences	(65)	(4,242)	(202)	-	(537)	(5,046)
Derecognitions (impairments)	-	2,358	614	-	34	3,006
Reversals (impairments)	-	1,529	23	-	15	1,567
Impairment loss	-	(3,524)	(584)	-	(104)	(4,212)
Amortisation at 30/09/2022	(1,523)	(89,294)	(5,816)	-	(7,637)	(104,270)
Impairment at 30/09/2022	-	(5,844)	(443)	-	(81)	(6,368)
Carrying amount						
At 31/12/2021	1,888	47,409	7,668	13,736	5,851	76,552
At 30/09/2022	16,225	37,829	15,364	4,530	9,336	83,284

"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 30 September 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	1,656
Transfers (sublease-franchise sales)	(873)
Rental updates	617
Derecognitions	(7,135)
Amortisation and depreciation	(13,507)
Derecognitions from cumulative depreciation	7,135
Other changes	(993)
Translation differences	4,876
Cost, attributed cost or revalued cost	88,885
Cumulative depreciation and impairment losses	(38,554)
Carrying amount at 30 September 2022	50,331

Details of Leases liabilities at 30 September 2022 and 31 December 2021 are as follows:

	Thousands of Euros	
	30.09.22	31.12.21
Long term	54,426	66,588
Short term	22,121	22,081
Lease liabilities	76,547	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
Additions	165
Finance income	557
Rental updates	(280)
Receipts	(3,314)
Transfers (sublease-franchise sales)	873
Other changes	758
Translation differences	56
Balance at 30 September 2022	15,476

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 30 September 2022 and 31 December 2021 are as follows:

	Thousands of Euros	
	30.09.22	31.12.21
Long term	11,654	12,668
Short term	3,822	3,993
Lease liabilities	15,476	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
Impairment losses for the period	(90)
Derecognitions	(13)
Other	(94)
Translation differences	3
Balance at 30/09/2022	238,646

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 outlets 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	-	-	-	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	1,175	-	-	4,377	5,552
Derecognitions	(371)	-	-	(78)	(449)
Other transfers	(1,206)	-	-	1,206	-
Translation differences	816	-	-	46	862
Balance at 30/09/2022	18,483	258,059	167,421	53,921	497,884
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 period	(665)	(6,212)	(5,025)	(5,646)	(17,548)
Derecognitions	69	-	-	64	133
Translation differences	191	-	-	15	206
Derecognitions (impairment)	215	-	-	34	249
Impairment	(181)	-	-	(28)	(209)
Amortisation at 30/09/2022	(2,728)	(12,387)	(22,737)	(36,517)	(74,369)
Impairment at 30/09/2022	-	-	(931)	-	(931)
Carrying amount					
At 31 December 2021	15,712	251,884	148,778	17,414	433,788
At 30 September 2022	15,755	245,672	143,753	17,404	422,584

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

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 167,421 thousand were recorded at fair value.

The “Telepizza” brand and the “Apache” brand were both deemed intangible assets with indefinite lifetimes, while the “Jeno’s Pizza” brand was deemed to be an intangible asset with a finite lifetime 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 30 September 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	
	30.09.22	31.12.21
Security and other deposits	4,088	4,136
Non-current trade receivables	12,724	10,267
Other loans and receivables	1,160	1,975
	17,972	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	
	30.09.22	31.12.21
Trade receivables	51,758	53,354
Other receivables	3,183	3,614
Public entities	11,037	8,555
Impairment losses	(9,006)	(10,499)
Trade and other receivables	56,972	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 30 September 2022 and 31 December 2021 are as follows:

	Thousands of Euros	
	30.09.22	31.12.21
Cash in hand and at banks	26,465	58,162
Cash and cash equivalents	26,465	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.

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 30 September 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 30 September 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 30 September 2022, the Parent Company has no legal reserve since, since its incorporation in 2018, it has incurred losses.

- Shareholder contributions

  At 30 September 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 30 September 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 30 September 2022 and 31 December 2021 are as follows:

	Thousand of Euros				
Type	Final maturity date	Deadline	Balance 30/09/2022	Balance 31/12/2021	Interest rate
Senior					
Bond	2026	335,000	335,000	335,000	6.25%
Arrangement costs			(10,438)	(12,212)	
Balance at			324,562	322,788	

At 30 September 2022 and 31 December 2021, outstanding unpaid interest on these payables amounted Euros 4,376 thousand and Euros 9,611 thousand, respectively. Interest expense accrued during nine-month period ended 30 September 2022 and 2021 totalled Euros 15,703 thousand. Likewise, Euros 1,774 thousand and Euros 1,647 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. (which was merged with Food Delivery Brands S.A in 2022, with the latter as the surviving entity), 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 30 September 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 30 September 2022 and 31 December 2021 are as follows:

	Thousands of Euros			
	30/09/2022		31/12/2021	
	Non-current	Current	Non-current	Current
Revolving credit facility (note 13 (a))	45,000	-	45,000	-
ICO loan	37,803	800	38,468	800
Loans to related parties	3,916	187	3,489	106
Unpaid accrued interest	-	328	-	655
Reverse factoring lines	-	12,639	-	7,095
Credit facility	-	3,111	-	2,067
Other debts	255	-	282	-
	86,974	17,065	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 30 September 2022 the amount of this loan with capitalised interest amounts to Euros 3,916 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.

(Continued)

The credit facility corresponds to Telepizza Chile, S.A. and Telepizza Portugal, 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	
	30.09.22	31.12.21
Trade payables and other payables	83,138	80,207
Public entities	8,327	7,648
Salaries payable	4,242	8,070
	95,707	95,925

At 30 September 2022 trade payables include Euros 15,469 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	
	30.09.22	30.09.21(*)
Outlet sales to customers	137,713	128,835
Wholesale factory sales to franchisees and other sales	96,761	87,443
Royalty and marketing fees	58,299	50,537
Other services rendered to franchisees	9,473	6,948
	302,246	273,763

(*) Figures restated

(Continued)

(16) Employee Benefits Expense

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

	Thousands of Euros	
	30.09.22	30.09.21(*)
Salaries, wages and similar	56,749	56,133
Social Security	6,044	6,750
Termination benefits	732	5,302
Other employee benefits expenses	52	253
Total personnel expenses	63,577	68,438

(*) Figures restated

(17) Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	30.09.22	30.09.21(*)
Fees and royalties	27,658	19,967
Transport	12,376	11,227
Advertising and publicity	20,363	18,843
Utilities	11,574	9,910
Other expenses	28,115	28,223
	100,086	88,170

(*) Figures restated

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) Other gain and losses

Details of other gain and losses are as follows:

	Thousands of Euros	
	30.09.22	30.09.21 (*)
Profit for the sale of Telepizza Bare ownership (note 8)	-	6,269
Results for net investment in subleases	(62)	6,495
Net profit/(losses) on sale tangible assets	78	(305)
	16	12,459

(*) Figures restated

(19) 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	-	96	-	142	238
Taken/(Charge) to the income statement	(725)	(1,057)	(596)	(420)	(2,798)
Balance at 30/09/2022	1,191	18,916	1,875	7,479	29,461

The deferred tax assets recognised in the consolidated statement of financial position at 30 September 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 6,796 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.

(Continued)

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	(4)	(3,014)	40	(2,978)
Balance at 30/09/2022	-	92,994	1,166	94,160

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.

- 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.

(Continued)

(20) Commitments

At 30 September 2022 and 31 December 2021, the Group has no commitments relating to investing activities.

(21) Information on the Parent’s Directors and Senior Management Personnel

During the nine-months period ended 30 September 2022, the Parent's directors received remuneration of Euros 1,009 thousand (Euros 1,258 thousand in 2021). Moreover, the Group has extended loans or advances to the directors totalling Euros 347 thousand (Euros 0 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 50 thousand (Euros 32 thousand in 2021).

During the nine-months period ended 30 September 2022, the members of the Group's senior management received remuneration of Euros 2,341 thousand (Euros 4,467 thousand in 2021, which include severance payments). Moreover, the Group has extended loans or advances to senior management totalling Euros 532 thousand (Euros 11 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 85 thousand (Euros 0 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.

(22) 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 September 2022 and 31 December 2021.

(23) Event after the reporting period

There were not significant events after the reporting period.

(Continued)

TASTY BIDCO, S.L.
AND SUBSIDIARIES

Directors report

30 September 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.

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.

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.

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.

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The Group's position and business performance

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 June 2022 the Group made a restructuring plan for the Pizza Hut business in Spain, that implied the closure of all its equity outlets in Spain. The Pizza Hut brand will continue having presence in Spain throughout the existing network of franchised stores. As a consequence, an impairment of non-current assets corresponding to property, plant and equipment and other intangible assets were recognized for an amount of Euros 2,980 thousand and were recognized provisions for the closure or sale of Pizza Hut equity outlets business in Spain for an amount of Euros 2,291 thousand.

Given the adverse prospects for the rest of 2022 and for 2023 and the Group's difficult liquidity position, the Group intends to engage in discussion with stakeholders, including creditors and Yum!, to effect changes to the business, capital structure and Yum! Alliance.

To assist in this, the Group has engaged Kirkland & Ellis, Uría Menéndez and Houlihan Lokey as advisors to evaluate options available to the Group.

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Reconciliation of the statement of profit or loss (IFRS 16) for the 9-month period ended 30 September 2022 and 2021

	Thousands of Euros		
	30/09/2022	IFRS 16	30/09/2022 without IFRS 16
Revenues	302,246	3,314	305,560
Merchandise and raw materials used	(98,571)	-	(98,571)
Employee benefits expense	(63,577)	-	(63,577)
Depreciation and amortisation	(40,320)	12,826	(27,494)
Other expenses	(100,086)	(19,995)	(120,081)
Other losses	16	62	78
Loss from operating activities	(292)	(3,793)	(4,085)
Finance income	1,780	(556)	1,224
Finance costs	(23,733)	2,715	(21,018)
Loss before tax from continuing operations	(22,245)	(1,634)	(23,879)
Income tax expense	(3,908)	406	(3,502)
Loss for the year from continuing operations	(26,153)	(1,228)	(27,381)
Loss of discontinued operations	(7,817)	184	(7,633)
Loss for the period	(33,970)	(1,044)	(35,014)
Profit/(loss) attributable to non-controlling interests	(4,315)	(163)	(4,478)

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The figures of the statement of profit and loss for the nine-month period ended 30 September 2021 have been restated.

	Thousands of Euros		
	30/09/2021 (*)	IFRS 16 (*)	30/09/2021 without IFRS 16 (*)
Revenues	273,763	3,822	277,585
Merchandise and raw materials used	(82,289)	-	(82,289)
Employee benefits expense	(68,438)	-	(68,438)
Depreciation and amortisation	(34,464)	11,831	(22,633)
Other expenses	(88,170)	(18,754)	(106,924)
Other losses	12,459	(6,496)	5,963
Loss from operating activities	12,861	(9,597)	3,264
Finance income	1,813	(641)	1,172
Finance costs	(27,628)	3,568	(24,060)
Loss before tax from continuing operations	(12,954)	(6,670)	(19,624)
Income tax expense	(1,572)	192	(1,380)
Loss for the year from continuing operations	(14,526)	(6,478)	(21,004)
Loss of discontinued operations	(7,176)	(99)	(7,275)
Loss for the period	(21,702)	(6,577)	(28,279)
Profit/(loss) attributable to non-controlling interests	(1,545)	(1,034)	(2,579)

(*) Figures restated

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System sales 9-month period ended 30 September 2022

9M 22 vs 9M 21 in € millions	EMEA	LATAM	TOTAL
System Sales Growth **(%)**	7.8%	29.2%	**17.9%**
System Sales Growth **constant currency (%)**	7.6%	17.4%	**12.4%**
System Sales Growth **constant currency (%) - Telepizza**	3.8%	2.5%	**3.7%**
System Sales Growth **constant currency (%) - Pizza Hut**	37.0%	19.2%	**21.2%**
Telepizza System Sales weight (%)	85.4%	9.2%	**46.1%**
Pizza Hut System Sales weight (%)	14.6%	90.8%	**53.9%**
TOTAL SALES €m	**463.2**	**495.0**	**958.2**

Summary of the income statement for 9-month period ended 30 September 2022 and 30 September 2021 (excluding discontinued operations)

Below are the Group's revenues from 1 January 2022 to 30 September 2022, and its adjusted and reported EBITDA:

€m	9M FY21	9M FY22	% change
Own Store Sales	128.8	137.7	6.9%
Supply chain, royalties, marketing & other	148.3	167.4	12.9%
Total revenue	**277.1**	**305.1**	**10.1%**
COGS	-82.3	-98.6	19.8%
% Gross margin	70.3%	67.7%	-2.6 p.p
Operating expenses	-165.6	-178.9	8.1%
Adjusted EBITDA	**29.3**	**27.6**	**-5.8%**
% Adjusted EBITDA margin	10.6%	9.0%	-1.5 p.p
Non recurring / operating expenses	-9.3	-3.2	-65.5%
Reported EBITDA	**19.9**	**24.4**	**22.2%**
Adjusted EBITDA under IFRS 16	**44.2**	**44.3**	**0.1%**
% Adjusted EBITDA margin	16.0%	14.5%	-1.4 p.p

In the first 9 months of 2022, the Group reported an increase in system sales (which includes the total sales of own stores, franchises and master franchises) of 17.9% to Euros 958 million, compared with Euros 813 million in the same period of 2021. This translated into an increase of 10.1% in revenues, to Euros 305 million, compared with c. Euros 277 million in the same period of 2021.

The increase in sales shows a recovery over the level of 2019 resulting in a +4.6% vs. 9M 2022 vs 9M 2019 at constant.

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Adjusted EBITDA in 9M 2022 amounted to c. Euros 27.6 million, -5.8% vs. the same period of 2021. Adjusted EBITDA excludes non-recurring and non-operating costs amounted to Euros 4.3 million, compared with Euros 9.3 million in the same period of 2021, showing a decrease of -54%.

System sales in EMEA increased by 7.8% in this first 9 months, to Euros 463.2 million, compared with Euros 429.6 million in the same period of 2021.

In Spain and Portugal, YTD sales growth of +8.8% vs. PY but slowdown in Q3 due to erosion in consumers confidence and adverse economic prospects.

System sales growth in Latam of +17.4% (at constant FX) during 9m FY22 vs. PY with Telepizza: +2.5% & PH +19.2%.

As seen in H1, effects from economic slowdown are still less visible in the region, however risings in COGs, energy and salaries are also starting to impact stores' profitability, reducing franchisees appetite on expansion.

On 30 September 2022, the total number of stores in the countries where the group operates is 2,533: 1,372 TPZ, 1,161 PH and 1,183 in EMEA and 1,350 in Latam. 2,350 are the stores located in countries within the perimeter of the YUM master franchise (Spain, Portugal, Switzerland and Latin America, except Brazil).

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.