Tasty Bidco, S.L. and subsidiaries

Auditor´s report
Consolidated annual accounts at 31 December 2022
Consolidated management report

NOTICE TO BONDHOLDERS

of

FOODCO BONDCO, S.A.U.'s

6¼% Senior Secured Notes due 2026

Common code: Reg S: 199073389; Rule 144A: 199073435

ISIN: Reg S: XS1990733898; Rule 144A: XS1990734359

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Telepizza publishes 2022 results and bondholder report

Madrid, Spain — June 30, 2023, 14 p.m.

Foodco Bondco, S.A.U., a subsidiary of Food Delivery Brands Group, S.A. (together with its subsidiaries, the "Group"), announced today that it has published the Group's 2022 results and related bondholder report on its website:

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

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

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

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

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

Financial Year 2022

Period ended December 31, 2022

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Important note regarding this report

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

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

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

Disclosure regarding forward-looking statements

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

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

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

BUSINESS DESCRIPTION

Overview

Corporate history – The Food Delivery Brands Group

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

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

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

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

The alliance with Yum! (Pizza Hut)

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

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

Pizza Hut, a division of Yum! Brands, Inc. ("Yum! Brands"), is the world's largest pizzeria company with more than 18,000 restaurants in over 100 countries. As a result of the partnership, on 30 December 2018 Telepizza operated a total of 1,011 Pizza Hut outlets (in addition to its current 1,620 network outlets and including the 38 outlets in Ecuador acquired prior to 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.

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 2022, 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.

On 31 December 2022, the Group reached an agreement with Pizza Hut International, LLC ("PHI") to amend certain key aspects of their strategic partnership and master franchise agreements entered into in 2018. As part of the revised agreement, PHI has initiated a process to regain direct management of Pizza Hut franchisee operations in Latin America and the Caribbean (excluding Brazil, Colombia, Ecuador, Mexico and Chile), while the Group will strengthen its presence in its core markets. Upon completion of this process, which is expected to occur on 31 December 2023, the Group will relinquish its master franchise rights in the above territories (Latin America and the Caribbean, subject to the aforementioned exclusions). In addition, the Group and PHI agreed to make certain adjustments to its opening targets per market, as well as the royalty streams that will materialise gradually over the term of the partnership. The Group will continue to operate its network of outle in Spain, Andorra, Gibraltar, Portugal and Chile, and will evaluate its strategic options in Mexico, Colombia and Ecuador – including the possible transfer of its operations in some of these territories.

Recent changes in the corporate and capital structures

On 21 January 2021, 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 Spanish National Securities Market Commission (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 2021, the Group completed the refinancing of its existing financial debt by means of the following transactions:

- The acquisition of all shares representing the share capital of Tasty Bondco 1, S.A. from Tasty DebtCo S.à.r.l., an affiliate of Tasty Bidco, S.L. which completed a Euros 335,000 thousand bond issue at a fixed interest rate of 6.25%, maturing in 2026. These bonds are listed in the Luxembourg stock exchange's Euro MTF market.

- Early repayment of the Euros 200,000 thousand syndicated loan arranged by the Group with certain banks on 8 April 2016 and, simultaneously, the syndicated loan guarantees were released and guarantees were provided to bondholders.

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.

The Group's position and business performance

At the end of November 2022, the Group launched a strategic review to discuss potential financing alternatives with its creditors in order to address the impact of adverse market conditions and boost the Group's future growth. To perform this review the Food Delivery Brands Group hired Kirkland & Ellis and Uría Menéndez, as legal advisors, and Houlihan Lokey, as financial advisor. This review also examines it partnership with Yum!.

As a result of the strategic review launched by the Group, a new business plan has been drawn up which includes the effects described above in the cash flow projections for the coming years. The Group has also recorded an impairment of non-current assets for an additional amount of Euros 232,189.

In this context, in 2023 the Group entered into a framework restructuring agreement, as well as an interim financing agreement, with a group of holders of the Group's senior secured bonds (AHG) to recapitalise the existing debt. These bondholders represent 67% of the total bonds. The proposed refinancing and recapitalisation of the Group's existing debt will include a capitalisation of these bonds.

The terms of the Framework and Interim Financing Agreement in February 2023, include the AHG's commitment to provide interim financing of up to Euros 31 million to cover the Group's liquidity needs meanwhile the restructuring process is carried out, as well as the temporary suspension, granted on 16 January, on the obligation to pay the interest on the senior bonds due on that date until 15 April 2023. The interim financing has been fully drawn down by the Group.

In April 2023, the Group agreed on the main commercial terms of the restructuring of the existing debt with the AHG, to which additional holders of the Group's senior secured bonds have joined to reach 81.7% of the bonds, through a modification of the Framework Agreement. The commercial terms of the debt restructuring foreseen, among other things, a partial capitalization of the bonds and a 100% dilution of the current shareholders, as well as the establishment of a new financing line for an amount of 60 million euros that will replace the Interim Financing provided in February 2023. The financial restructuring is expected to be formally ratified by the Courts during the second half of 2023.

In addition to having the support of bondholders, that currently represent 81.7% of the total bonds, and the two main shareholders of the Group, that represent near to 100% of the capital, the Group is having very productive discussions towards an agreement with the creditors of the revolving credit facility line, the entities providing other working capital financing and the main lender of the ICO loans. In this sense, the objective is that other creditors voluntarily join to the Framework Agreement in the coming weeks.

Once the necessary agreements have been reached with the Group's financial creditors, the restructuring plan will be signed, and the Group's current debt will be reduced by an amount to close to 250 million euros (approximately 50%) and will benefit from an extension of the amortisation deadlines until 2028.

The new financing committed for an amount of Euros 60 million will be available to the Group on the effective date of the refinancing and will be used partially to repay the Interim Financing already provided for an amount of 31 million euros and provide liquidity to the Group. A contribution of the current main shareholders of the Group for an amount of 11 million euro will be also added to such amount.

Furthermore, the creditors have agreed to an additional extension, until 16 October 2023, of the temporary suspension granted last 16 January in relation with the interest payment on the senior bonds payable on that date and 17 July 2023, as well as an extension of the deadline for the release of the 2022 financial results until July 2023.

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

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

Results of operations

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

The following table sets forth consolidated financial information for the years ended December 31, 2021 and 2022. The balances in the consolidated income statement and consolidated statement of cash flows for 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 in the consolidated income statement for 2021.

	For the year ended December 31,					
	Including the effects of IFRS 16			Excluding the effects of IFRS 16		
(in € millions)	(*) 2021	2022	% change	(*) 2021	2022	% change
Revenues	**385.2**	**412.4**	**7.1%**	**389.3**	**416.8**	**7.1%**
Merchandise and raw materials used	(113.5)	(138.4)	21.9%	(113.5)	(138.4)	21.9%
Personnel expenses	(88.9)	(84.6)	-4.8%	(88.9)	(84.6)	-4.8%
Amortization and depreciation	(46.0)	(53.7)	16.7%	(31.2)	(36.5)	17.0%
Other expenses	(121.2)	(147.2)	21.5%	(144.5)	(174.2)	20.6%
Impairment of non-current assets	(6.3)	(232.2)	3585.7%	(6.3)	(232.2)	3585.7%
Other profit (losses)	7.3	(0.1)	-101.4%	5.4	(0.2)	-103.7%
Operating profit / (loss)	**16.6**	**(243.8)**	**-1568.7%**	**10.3**	**(249.3)**	**-2520.4%**
Finance income	2.4	2.6	8.3%	1.6	1.9	18.8%
Finance costs	(36.3)	(37.5)	3.3%	(31.3)	(32.0)	2.2%
Exchange differences	(1.9)	1.4	-173.7%	(1.9)	1.4	-173.7%
Loss before tax from continuing operations	**(19.2)**	**(277.3)**	**1344.3%**	**(21.3)**	**(278.0)**	**1205.2%**
Income tax income/(expense)	0.1	7.3	7200.0%	0.2	7.4	3600.0%
Loss for the year from continuing operations	**(19.1)**	**(270.0)**	**1313.6%**	**(21.1)**	**(270.6)**	**1182.5%**
Post-tax loss on discontinued operations	(8.0)	(8.2)	2.5%	(8.0)	(8.0)	0.0%
Loss for the year	**(27.1)**	**(278.2)**	**926.6%**	**(29.1)**	**(278.6)**	**857.4%**

(*) Figures restated

The consolidated income for financial year 2021 has been restated to enable comparison with the figures for financial year 2022, as the Group has classified certain operations as discontinued in the consolidated income statement for financial year 2022.

Revenues

Our revenues increased by 7.1%, to €412.4 million in 2022 from €385.2 million in 2021 due to the positive effects in own and franchised stores' sales as a consequence from the termination of the pandemic, as well as the incremental revenues related to sales of dough and other supplies to our franchisees, reflecting the inflationary spiral triggered by the war in Ukraine.

Merchandise and Raw Materials Used

Merchandise and raw materials used increased by 21.9%, to €138.4 million in 2022 from €113.5 million in 2021, primarily resulting from the increased system sales, as well as the significant increase in the price of the raw materials due to inflationary spiral that began in the first half of 2022.

Personnel Expenses

Personnel expenses decreased by 4.8%, to €84.6 million in 2022 from €88.9 million in 2021, primarily due to the decrease in indemnities paid in 2021 primarily to the former senior management.

Amortization and Depreciation

Consolidated amortization and depreciation increased to €53.7 million in 2022 from €46.0 million in 2021, primarily as a result of the increase in the depreciation of the right of use (IFRS 16), the depreciation of the Telepizza brand, the opening of the factory in Mexico that started operations in 2022 and the new outlets opened in the last two years.

Other Expenses

Other expenses increased by 21.5%, to €147.2 million in 2022 from €121.2 million in 2021, primarily as a result of the increase of the sales, outlets reopened due to the elimination of pandemic restrictions, and new openings in 2022, as well as the significant increase in the operating cost due to the inflationary spiral, mainly in energy prices.

Impairment of Non-Current Assets

Impairment of non-current assets increased to an impairment loss of €232.2 million in 2022 from €6.3 million in 2021 due to the updated projections in the business plan reflecting the effects of inflation and lower expansion of the store network.

Other Profits

Our other profits decreased to €0.1 million losses in 2022 from €7.3 million profit in 2021, primarily due to the profit for the sale of Telepizza's bare ownership of €6.3 million in 2021.

Operating Profit/(Loss)

Our operating profit/(loss) decreased to a loss of -€243.8 million in 2022 from a profit of €16.6 million in 2021. This was primarily the decrease in the gross margin, the increase in operating expenses, as well as the impairment of non-current assets recognized in 2022, detailed above.

Finance Income

Our finance income increased to €2.6 million in 2022 from €2.4 million in 2021, primarily due to increase of the loans granted.

Finance Costs

Finance costs increased to €37.1 million in 2022 from €36.3 million in 2021, primarily due to increase of the Euribor rate.

Income Tax /(Expense)

Our income tax income increased to €7.3 million in 2022 from an income tax expense of €0.1 million in 2021, primarily due to the recognizing in 2022 of tax credits for loss carryforwards and deductions available for offset.

Post-Tax Loss on Discontinued Operations

Our post-tax loss on discontinued operations increased to a loss of €8.2 million in 2022 from a loss of €8.0 million in 2021, primarily due to restructuring plan for the Pizza Hut business in Spain which involved the closure of all its own outlets in the country.

Profit/(Loss) for the Year

Loss for the year decreased to a loss of €278.2 million in 2022 from a loss of €27.1 million in 2021, primarily due to the decrease in the gross margin, the increase in the operating expenses and the impairment of non-current assets recognized in 2022, detailed above.

Results and Other Information by Segment

For the year ended December 31, 2021 (in € millions)	**Spain**	**Other Europe**	**Latin America**	**Total**
Own outlet sales	32.8	30.3	114.6	177.7
Factory sales to franchisees	98.3	15.2	6.2	119.7
Royalties	54.9	10.8	4.6	70.3
Revenue from franchising activity	2.2	-	0.5	2.7
Other services rendered to franchisees	4.3	1.5	2.4	8.2
Income from incentives	2.9	0.7	0.4	4.0
Revenue from initial fees	2.1	-	0.5	2.6
Total revenues	**197.5**	**58.5**	**129.2**	**385.2**
Amortization	(26.2)	(3.0)	(16.8)	(46.0)
Impairment/(Reversal) of non-current assets	(1.8)	(1.4)	(3.1)	(6.3)
Other net gains/(losses)	4.6	0.5	2.2	7.3
Operating profit/(loss)	**20.8**	**9.6**	**(13.8)**	**16.6**

For the year ended December 31, 2022 (in € millions)	**Spain**	**Other Europe**	**Latin America**	**Total**
Outlet sales to customers	20.3	28.6	138.1	187.0
Factory sales to franchisees and other sales	108.7	16.0	7.8	132.5
Royalties	63.7	12.4	4.2	80.3
Revenue from franchising activity	3.6	-	(0.1)	3.5
Other services rendered to franchisees	3.0	1.5	2.2	6.7
Revenue from initial fees	2.2	-	0.2	2.4
Total revenues	**201.5**	**58.5**	**152.4**	**412.4**
Amortization	(26.9)	(4.1)	(22.7)	(53.7)
Impairment/(Reversal) of non-current assets	(169.1)	(8.4)	(54.7)	(232.2)
Other net gains/(losses)	(0.7)	0.1	0.5	(0.1)
Operating profit/(loss)	**(158.5)**	**(0.6)**	**(84.7)**	**(243.8)**

Total Revenues by Segment

Spain

Total revenues from our Spain segment increased to €201.5 million in 2022 from €197.5 million in 2021, primarily due to higher Factory sales to franchisees as a consequence of the increase in the sale prices due to inflationary spiral.

Rest of Europe

Total revenues from our Rest of Europe segment in 2022 have not changed from 2021.

Latin America

Total revenues from our Latin America segment increased to €152.4 million in 2022 from €129.2 million in 2021, primarily due to elimination of pandemic restrictions, with significant growth in sales in our own outlets as a result of the increase of the sale prices and a higher number of own outlets compared to last year.

Operating Profit by Segment

Spain

Operating profit from our Spain segment decreased to a loss of €158.5 million in 2022 from a loss of €20.8 million in 2021, primarily due the decrease in the gross margin, the increase in the operating expenses, as well as the impairment of non-current assets recognized in 2022.

Rest of Europe

Operating profit from our Rest of Europe segment decreased to a loss of €0.6 million in 2022 from a profit of €9.6 million in 2021, as a result of the impairment of non-current assets recognized in 2022.

Latin America

Operating losses from our Latin America segment decreased to a loss of €84.7 million in 2021 from a loss of €13.8 million in 2021, primarily due the decrease in the gross margin, the increase in the operating expenses, as well as the impairment of non-current assets recognized in 2022.

Adjusted EBITDA

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

	For the year ended December 31,					
	Including the effects of IFRS 16			Excluding the effects of IFRS 16		
(in € millions)	2021	2022	% change	2021	2022	% change
Own outlet sales	177.7	187.0	5.2%	177.7	187.0	5.2%
Supply, chain, royalties, marketing and other revenue	205.5	224.8	9.4%	209.6	229.2	9.3%
Total Revenue	**383.3**	**411.8**	**7.4%**	**387.4**	**416.2**	**7.4%**
Product cost	(113.5)	(138.4)	-21.9%	(113.5)	(138.4)	-21.9%
Other operating expenses including royalties and fees paid to Yum![(1)]	(198.9)	(215.3)	-8.2%	(222.2)	(242.3)	-9.1%
Adjusted EBITDA[(2)]	**70.9**	**58.2**	**-18.0%**	**51.7**	**35.5**	**-31.4%**

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

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

For further details, please see our Director's Report included in the 2022 Financial Statements.

Liquidity and Capital Resources

Overview

Our principal cash requirements consist of the following:

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

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

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

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

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

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

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

We anticipate that we will be highly leveraged for the foreseeable future and our ability to generate future financing cash flows will be limited by the terms defined by the Indenture and the Revolving Credit Facility. For a description of our material commitments, contingencies and debt instruments, please see our 2022 Financial Statements.

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

Please consider the detailed description included in section "overview" about the currently restructuring process.

Cash Flows

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

	For the year ended December 31	
(in € millions)	**2021**	**2022**
Net cash from operating activities	16.1	5.6
Net cash used in investing activities	(31.3)	(21.5)
Net cash from (used in) financing activities	28.3	(23.6)
Net increase (decrease) in cash and cash equivalents	13.1	(39.5)

Cash Flows Provided by Operating Activities

Our cash flows from operating activities decreased to €5.6 million in 2022 from €16.1 million in 2021 due to the decrease of the working capital.

Cash Flows (Used in) Investing Activities

Our cash flows used in investing activities increased to €21.5 million in 2022 from €31.3 million in 2021. This increase was primarily due to the lower investment in store openings, conversions and factories compared last year.

Cash Flows Provided by Financing Activities

Our cash flows used in financing activities decreased to €-23.6 million in 2022 from €28.3 million in 2021, due to the new additional financing received in 2021.

Working Capital

The following table shows our working capital as of December 31, 2021 and 2022:

	For the year ended December 31	
(in € millions)	**2021**	**2022**
Current assets(1)	135.0	107.2
Current liabilities	142.7	158.5
Working capital(2)	(7.7)	(51.3)

(1) Current assets include cash and cash equivalents of €58.2 million and €19.6 million in 2021 and 2022, respectively.

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

Working capital increased to - €51.3 million in 2022 from - €7.7 million in 2021.

Capital Expenditures

We generally require capital expenditures for the maintenance of our existing store portfolio to remain competitive and maintain the value of our brand. Our capital expenditures are mainly related to the opening of new outlets and the refurbishment and, in some cases, the relocation of our existing outlets.

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

	For the year ended December 31	
(in € millions)	**2021**	**2022**
Openings	10.2	8.0
Relocations and conversions	2.7	1.7
Buybacks	1.2	0.0
Maintenance	6.0	5.5
Total Stores	**20.1**	**15.2**
IT + Digital	9.0	8.2
Factory	11.2	4.8
Others	0.4	1.3
Total Group excluding M&A	**40.6 (1)**	**29.4**

(1) Capex does not include non cash -out investments (e.g, non cah buybacks).

Off-Balance Sheet Arrangements

With the exception of bank and other guarantees provided in the ordinary course of business amounting to €2.9 million and €2.8 million as of December 31, 2022 and 2021, respectively, we do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as special purpose entities, which include special purposes entities and other structured finance entities.

Quantitative and Qualitative Disclosures About Market Risk

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

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

Interest Rate Risk

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

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

Foreign Currency Risk

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

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

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

At 31 December 2022, had the Euro weakened/strengthened by 10% against the Chilean Peso, the Colombian Peso and the Mexican Peso with the other variables remaining constant, consolidated post-tax loss would have been Euros 7,546 thousand lower or higher (Euros 1,946 thousand in 2021), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. Translation differences recognised under "Other comprehensive income" would have decreased by Euros 903 thousand, mainly due to translation differences on foreign operations.

Liquidity Risk

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

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

Credit Risk

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

Critical Accounting Policies

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

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

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

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

- We determine the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets.

- Calculation of the recoverable amount: We test goodwill and the brands for impairment on an annual basis. Calculation of the recoverable amount requires us to use estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. We generally use discounting cash flow methods to calculate these values, based on projections of the budgets we approve. The cash flows take into consideration past experience and represent our best estimate of future market performance. The key assumptions employed when determining fair value less costs to sell include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology used, could have a significant impact on values and impairment loss.

- Valuation allowances for bad debts require a high degree of judgment by us and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, including an analysis of expected loss, and vice versa.

- The Group capitalises tax credits and deductions when they are likely to be offset in the foreseeable future based on the business plans for each tax jurisdiction in which it operates (see Note 26). The calculation of the recoverable amount of these deferred tax assets requires the use of estimates by management. The calculations regarding their recoverability are based on the projections for coming years in the budgets approved by the Board of Directors, considering past experience, and represent the best estimate of future market performance.

- We are subject to regulatory and legal processes and inspections by government bodies in various jurisdictions. We use significant judgment when determining the provisions for these legal processes.

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

For a description of these critical accounting policies and estimates, see our 2022 Financial Statements.

RISK FACTORS

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

- our inability to integrate Telepizza and Pizza Hut effectively and realize the potential and anticipated benefits from the alliance with Yum! Brands;
- the risk of harmful economic and political conditions;
- the impact of competition in the quick service restaurants market, and in particular the pizza delivery sector;
- The effects on the global economy of the geopolitical uncertainty in Europe which have caused significant increases in commodity and energy prices and distortions in supply chains
- The duration and intensity of the inflationary spiral that began in the first half of 2022
- The limited Group's ability to pass on to its franchisees and end consumers the increase in the Group's operating costs resulting from significant increases in commodity and energy prices and distortions in supply chains.
- the impact of impairments to goodwill and other intangible assets;
- the loss of certain clients or franchisees and master franchisees;
- exposure to price and volume fluctuations under certain of our supply contracts;
- a potential loss of our rights to use Telepizza trademarks in certain jurisdiction if we materially breach our obligations under the Yum! Alliance;
- failure to successfully implement our growth strategy;
- unsuccessful marketing initiatives and advertising campaigns;
- failure of our franchises and master franchises to develop their business;
- our reliance on capital investments;
- our exposure to additional risks through our international operations;
- failure to comply with anti-bribery or anti-corruption laws;
- failure to deliver our products to our customers;
- the risk of labor shortages or increased labor costs;

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

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

MANAGEMENT

Foodco Bondco S.A.U. (the "Issuer")

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

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

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

Tasty Bidco, S.L.

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

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

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

Tasty Bidco S.L. is managed by a board of directors comprised of 8 members. Set forth below are the names and positions of the current members of the board of directors.

Name	Position
Jacobo Caller Celestino	Chairman & Chief Executive Officer
Gabriele Questa	Director
Philippe Sassoon	Director
Alfredo Tennenbaum	Director
Óscar Salazar Gaitán	Director
Jorge Lluch Pauner	Director
Victor Culebras Yábar	Director
Manuel Echenique	Secretary non-director of the Board

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This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Tasty Bidco, S.L.:

Opinion

We have audited the consolidated annual accounts of Tasty Bidco, S.L. (the Parent company) and its subsidiaries (the Group), which comprise the statement of financial position as at December 31, 2022, and the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2022, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Material uncertainty relating to going concern

We draw attention to note 2.g of the attached consolidated annual accounts, which indicates that the impact of the adverse market conditions derived from the sharp increase in the prices of raw materials and energy and its effects on profitability current and future results of the business, have caused the Group's consolidated operating result to be negative in the amount of 243,838 thousand euros and the consolidated loss for the year 2022 amounts to 278,225 thousand euros. Said note indicates that the Group launched a strategic review to analyze potential financial alternatives with its creditors in order to address this situation, for which reason, in February 2023, the Group signed a framework agreement to set the essential elements for the restructuring of its financial indebtedness with a group of holders of the senior secured notes (the AHG), as well as an interim financing agreement.

Subsequently, in April 2023, the Group agreed on the main terms of the restructuring of the existing debt with the AHG, to which bondholders were added until reaching a support of 81.7% of the total, through a modification of the framework agreement. The Group is having conversations with a view to reaching an agreement with the creditors in the revolving credit line, the entities that provide other lines of working capital, and the main lender of the so-called ICO lines. The financial restructuring is expected to be formally ratified by the Courts during the second half of 2023.

Once the necessary agreements have been reached with the Group's financial creditors, the restructuring plan will be formalised, through which the Group's current debt will be reduced and will benefit from an extension of repayment terms, as well as new committed financing that will be made available to the Group.

As mentioned in note 2.g, these events or conditions, together with other matters disclosed in said note, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Most relevant aspects of the audit

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

In addition to the matter described in the *Material uncertainty relating to going concern* section, we have determined the risks described below to be the most significant risks considered in the audit to be communicated in our report.

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Goodwill recoverability	
As indicated in notes 2.c, 4.h and 10 of the attached consolidated annual accounts, as of December 31, 2022, there is a goodwill amounting to 73,360 thousand euros. To determine whether there is impairment, for each cash-generating unit to which goodwill is assigned, Group management performs an impairment assessment on an annual basis or when there are changes in circumstances or events that indicate that the book value could not be fully recoverable. Group management calculates the recoverable amount of each cash-generating unit as the higher of fair value less costs to sell and value in use. When determining the value in use of the different cash generating units, the projected cash flows are based on the strategic plans approved by the board of directors.	Firstly, we have proceeded to understand the relevant processes and controls linked to the evaluation of the goodwill impairment performed by the Group, including those related to the preparation of budgets and the analysis and follow-up of projections, which constitute the basis for the main judgments and estimates made by the Group. Regarding cash flow projections, we have analyzed the methodology of the calculations made, and we have contrasted the key assumptions used by the Group with historical results, relevant industry factors and other external sources. For this we have relied on valuation experts from our firm. Regarding the calculations of fair value less costs to sell, we have analyzed the documentation that supports those estimates.

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
For the calculations of the recoverable value of the cash-generating units in Spain, Portugal, Chile and Ireland, Group management has used cash flow projections based on financial budgets that have required relevant judgments and estimates that include, among others, average sales growth and discount and perpetual annuity growth rates. For the calculations of the recoverable value of the cash-generating units in Mexico and Colombia, the Group has calculated their fair value less costs to sell. The most significant assumptions used by the Group and the sensitivity analysis carried out are summarized in note 10 of the attached consolidated annual accounts. As mentioned in note 10, as a result of the previous analysis, in 2022 goodwill impairments have been recorded amounting to 165,254 thousand euros. Deviations in these variables and estimates of Group management can determine significant variations in the calculations made and, therefore, in the goodwill recoverability analysis. This fact, together with the relevance of the goodwill amount and the consequent impairment recorded, motivate this to be considered a most relevant aspect of our audit.	Additionally, we have evaluated the reasonableness of the sensitivity analysis detailed in the notes to the attached consolidated annual accounts. As a result of the analysis carried out, we consider that the conclusions of Group management regarding the estimates made, the consequent impairment recorded and the information disclosed in the attached consolidated annual accounts are adequately supported and are consistent with the currently available information.
Recoverability of property, plant and equipment and other intangible assets with a defined useful life As indicated in notes 2.c, 4.h, 8 and 10 of the attached consolidated annual accounts, at December 31, 2022 there are property, plant and equipment for an amount of 64,435 thousand euros and intangible assets with a defined useful life for an amount of 341,000 thousand euros. The Group follows the criteria of evaluating the existence of indications that could reveal the potential impairment of property, plant and equipment and other intangible assets in order to verify whether the book value of said assets exceeds their recoverable value.	Firstly, we have proceeded to understand the relevant processes and controls linked to the evaluation of the impairment of property, plant and equipment and other intangible assets with a defined useful life performed by the Group, including those related to the preparation of budgets and the analysis and monitoring of the projections, which constitute the basis for the main judgments and estimates made by the Group.

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Group management calculates the recoverable amount of each cash-generating unit as the higher of fair value less costs to sell and value in use. When determining the value in use of the different cash generating units, the projected cash flows are based on the strategic plans approved by the board of directors. For the calculations of the recoverable value of the cash-generating units in Spain, Portugal and Chile, Group management has used cash flow projections based on financial budgets that have required relevant judgments and estimates that include, among others, growth average sales and discount and perpetual income growth rates. For the calculations of the recoverable value of the cash-generating units in Mexico, Ecuador and Colombia, Group management has calculated their fair value less costs to sell. The most significant assumptions used by the Group and the sensitivity analysis carried out are summarized in notes 8 and 10 of the attached consolidated annual accounts. As mentioned in said notes 8 and 10, as a result of the previous analysis, in 2022 impairments have been recorded in property, plant and equipment for an amount of 21,823 thousand euros and in other intangible assets with a defined useful life for an amount of 50,512 thousand euros. Deviations in these variables and estimates of Group management can determine significant variations in the calculations made and, therefore, in the recoverability analysis of property, plant and equipment and other intangible assets. This fact, together with the relevance of the amount of property, plant and equipment and other intangible assets with a defined useful life and the consequent impairment recorded, motivate this to be considered a most relevant aspect of our audit.	Regarding cash flow projections, we have analyzed the methodology of the calculations made, and we have contrasted the key assumptions used by the Group with historical results, relevant industry factors and other external sources. For this we have relied on valuation experts from our firm. Regarding the calculations of fair value less costs to sell, we have analyzed the documentation that supports said estimates. Additionally, we have evaluated the reasonableness of the sensitivity analysis detailed in the notes to the attached consolidated annual accounts. As a result of the analysis carried out, we consider that the conclusions of Group management regarding the estimates made, the consequent impairment recorded and the information disclosed in the attached consolidated annual accounts are adequately supported and are consistent with the currently available information.

Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Recoverability of the deferred tax assets	
As of December 31, 2022, the attached consolidated annual accounts reflect an amount of 28,566 thousand euros of deferred tax assets, the recoverability of which depends on the generation of positive taxable bases in the Corporate Tax in future years (notes 2.c, 4.q and 15 of the attached consolidated annual accounts). The recoverability of these deferred tax assets is analyzed by the Group by estimating the taxable bases for the coming years, based on the business plans of the different Group companies and on the planning possibilities allowed by the applicable tax legislation to each company and to the consolidated tax group headed by the Parent Company. Consequently, the conclusion on the recoverability of the deferred tax assets shown in the attached consolidated statement of financial position is subject to significant judgments and estimates by the Group, both with respect to future tax results and tax regulations applicable in the different jurisdictions where it operates. Given the relevance of the amount recognized, the significant judgments required and estimates necessary to calculate future taxable bases, the recoverability of the deferred tax assets is a most relevant aspect of our audit.	Firstly, we have proceeded to understand and evaluate the criteria used by the Group to estimate the possibilities of use and recoverability of the deferred tax assets in the following years, subject to business plans. Based on the business plans prepared by the Group, we have contrasted the key assumptions, estimates and calculations made for their preparation, comparing them with historical performance, relevant industry factors and other external sources. As part of the analysis performed, we have also evaluated the tax adjustments considered for the estimation of the taxable bases, the applicable tax regulations, as well as the decisions regarding the possibilities of using the tax benefits corresponding to the different companies of the Group. The analysis carried out have made it possible to verify that the calculations and estimates made by the Group, as well as the conclusions reached in relation to the recoverability of the deferred tax assets, are consistent with the current situation, with the expectations of future results of the Group and with their available tax planning possibilities under current legislation.

Emphasis of matter

We draw attention to note 2 of the attached consolidated annual accounts, which indicates that the consolidated annual accounts for the year 2022 were authorised for issue on March 30, 2023, and that, after said date, the Parent Company's directors have approved the incorporation of certain modifications in relation to the information indicated in notes 2.g and 31 of the attached consolidated annual accounts. In order to include such information, the directors of the Parent Company have proceeded to restate the attached consolidated annual accounts on May 18, 2023. Our opinion is not modified in respect of this matter.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the Parent company's directors for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated annual accounts

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

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

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company´s directors.

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

From the significant risks communicated with the directors of the Parent company, we determine those risks that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, considered to be the most significant risks.

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

Álvaro Moral Atienza (21428)

May 29, 2023

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2023 Núm.01/23/12271

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

Tasty Bidco, S.L. and Subsidiaries

Consolidated Annual Accounts
31 December 2022

Consolidated Directors' Report for the Year
2022

(With Auditors' Report Thereon)

(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.), through Tasty Bidco, S.L., announced its intention to acquire all the shares in Food Delivery Brands Group, S.A., in order 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 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”, “Jeno’s Pizza” and “Apache”, which sell food for consumption at home and on the premises. At 31 December 2022, this activity was carried out through 528 own outlets and 1,840 franchises (556 own outlets and 1,996 franchises in 2021), located mainly in Spain, Portugal, Chile, Colombia, Ecuador, Mexico and Ireland. Furthermore, the Group also conducts its business via the "Pizza Hut" branded master franchises located in Guatemala, El Salvador, Costa Rica, Peru, Honduras and Puerto Rico, among other countries.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Financial Position
31 December 2022

(Expressed in thousands of Euros)

Assets	2022	2021
Property, plant and equipment (Note 8)	64,435	76,552
Right-of-use assets (Note 9)	49,700	58,555
Goodwill (Note 10)	73,360	238,840
Other intangible assets (Note 10)	369,178	433,788
Net investment in subleases (Note 9)	11,416	12,668
Deferred tax assets (Note 15)	28,566	32,021
Non-current financial assets (Note 11)	9,586	16,378
Total non-current assets	606,241	868,802
Inventories (Note 12)	12,500	15,261
Trade and other receivables (Note 13)	68,638	55,024
Net investment in subleases (Note 9)	3,919	3,993
Other current financial assets	357	637
Other current assets	2,245	1,954
Cash and cash equivalents (Note 14)	19,589	58,162
Subtotal current assets	107,248	135,031
Non-current assets held for sale (Note 6)	-	-
Total current assets	107,248	135,031
Total assets	713,489	1,003,833

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Financial Position
31 December 2022

(Expressed in thousands of Euros)

Equity and Liabilities	2022	2021
Share capital (Note 16)	2,864	2,864
Share premium	268,853	268,853
Retained earnings	(452,475)	(194,791)
Shareholder contributions	165,108	165,108
Translation differences	(5,448)	(7,752)
Equity attributable to equity holders of the Parent company and total equity (Note 16)	(21,098)	234,282
Non-controlling interests	25,514	46,055
Equity	4,416	280,337
Debentures and bonds (Note 18 (a))	325,280	322,788
Loans and borrowings (Note 18 (b))	87,106	87,239
Other financial liabilities (Note 17)	419	2,827
Lease liabilities (Note 9)	52,173	66,588
Deferred tax liabilities (Note 15)	81,190	97,138
Provisions (Note 19)	2,549	1,615
Other non-current liabilities (Note 1)	1,820	2,585
Total non-current liabilities	550,537	580,780
Debentures and bonds (Note 18 (a))	9,611	9,611
Loans and borrowings (Note 18 (b))	16,912	10,723
Other financial liabilities (Note 17)	58	166
Lease liabilities (Note 9)	23,748	22,081
Trade and other payables (Note 20)	102,805	95,925
Provisions (Note 19)	829	114
Other current liabilities	4,573	4,096
Subtotal current liabilities	158,536	142,716
Liabilities directly associated with non-current assets held for sale (Note 6)	-	-
Total current liabilities	158,536	142,716
Total equity and liabilities	713,489	1,003,833

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Income Statement
for the year ended
31 December 2022

(Expressed in thousands of Euros)

	2022	2021 (*)
Revenues (Note 21)	412,400	385,185
Merchandise and raw materials used (Note 12)	(138,378)	(113,475)
Personnel expenses (Note 22)	(84,632)	(88,866)
Amortisation and depreciation expenses (Notes 8, 9 and 10)	(53,704)	(45,978)
Other expenses (Note 23)	(147,227)	(121,245)
Impairment of non-current assets (Note 24)	(232,189)	(6,286)
Other profit/(loss) (Note 25)	(108)	7,286
Operating profit/(loss) for the year	(243,838)	16,621
Finance income	2,634	2,438
Finance expenses (Note 18)	(37,505)	(36,356)
Translation differences	1,423	(1,857)
Loss before tax of continuing operations	(277,286)	(19,154)
Income tax revenue (Note 26)	7,265	69
Loss for the year from continuing operations	(270,021)	(19,085)
Post-tax loss of discontinued operations (Note 6)	(8,204)	(7,975)
Loss for the year	(278,225)	(27,060)
Profit/(loss) attributable to non-controlling interests	(20,541)	(2,094)
Loss for the year attributable to equity holders of the Parent Company		
Continuing operations	(250,770)	(17,737)
Discontinued operations	(6,914)	(7,229)
	(257,684)	(24,966)

(*) Figures have been restated

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income
for the year ended
31 December 2022

(Expressed in thousands of Euros)

	2022	2021
Loss for the year	(278,225)	(27,060)
Other comprehensive income:		
Items that will be reclassified to profit/(loss)		
Translation differences of financial statements of foreign operations	2,304	(1,812)
Total comprehensive income for the year	(275,921)	(28,872)
Profit/(loss) attributable to non-controlling interests	20,541	2,094
Total comprehensive profit/(loss) attributable to equity holders of the Parent Company	(255,380)	(26,778)

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
for the year ended
31 December 2022

(Expressed in thousands of Euros)

	Share capital	Share premium	Cumulative Profits/ (Losses) accumulated	Shareholder contributions	Translation differences	Non-controlling interests	Total equity 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
Profit/(loss) for the year	-	-	(257,684)	-	2,304	(20,541)	(275,921)
Balance at 31/12/2022	2,864	268,853	(452,475)	165,108	(5,448)	25,514	4,416

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

TASTY BIDCO, S.L. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
for the year ended
31 December 2022

(Expressed in thousands of Euros)

	2022	2021
Cash flows from operating activities		
Post-tax profit/(loss) of discontinued operations	(8,265)	(4,739)
Profit/(loss) before tax from continuing operations for the year	(277,286)	(22,318)
Adjustments for:		
Amortisation and depreciation	54,627	47,313
Finance income	(2,634)	(2,438)
Finance expenses	37,505	36,514
Translation differences	(1,423)	1,857
Impairment of non-current assets	235,310	6,286
Losses on disposal of property, plant and equipment and other losses	108	(7,243)
Allocation of provisions	4,946	-
Impairment of trade receivables (Note 13)	3,920	359
	46,808	55,591
Change in working capital		
(Increase)/decrease in inventories (Note 12)	2,761	(400)
(Increase)/decrease in trade and other receivables	(14,092)	(12,455)
(Increase)/decrease in other current and non-current assets	3,339	4,430
Increase/(decrease) in trade and other payables	(6,880)	5,687
Increase/(decrease) in provisions	(3,405)	(2,844)
(Increase)/decrease in other current and non-current liabilities	2,696	(4,524)
Cash from operations	(15,581)	(10,106)
Interest received	1,858	2,438
Interest paid	(28,594)	(28,111)
Income tax paid	1,103	(3,715)
Net cash from operating activities	5,593	16,097
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	3,809	4,272
Acquisition of property, plant and equipment	(20,637)	(30,000)
Acquisition of intangible assets	(8,513)	(10,139)
Acquisition of subsidiaries, net of cash and cash equivalents	-	(1,078)
Cash flows from (used in) discontinued operations	(558)	288
Income from sub-leases	4,383	5,362
Net cash used in investing activities	(21,516)	(31,295)
Cash flows from financing activities		
Cancellation of borrowings from credit institutions	(800)	(10,000)
Issuance of debt with credit institutions, net of issue costs	5,939	42,672
Issuance of related-party debt, net of issue costs	-	3,026
Issuance of equity instruments	-	20,113
Lease liability payments	(28,731)	(27,484)
Net cash used in financing activities	(23,592)	28,327
Net increase/(decrease) in cash and cash equivalents	(39,515)	13,129
Cash and cash equivalents at 1 January	58,162	45,134
Effect of translation differences	942	(101)
Cash and cash equivalents at 31 December	19,589	58,162

The accompanying notes form an integral part of the consolidated annual accounts for 2022.

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

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

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

- The Group has become the exclusive master franchisee of Pizza Hut for the Iberian Peninsula, Latin America (including the Caribbean, with the sole exception of Brazil) and Switzerland.

- The master franchise contracts have a term of 30 years, with two 10-year extensions (30+10+10) in Spain, Portugal and Chile, and a term of 10 years plus extensions of 10 years and 5 years, respectively, (10+10+5) in the other markets.

- The Group charges franchisees of the Pizza Hut chain a royalty and pays a further royalty to Yum! Brands on sales of the Pizza Hut chains within the territories covered by the agreement and on sales of the "telepizza" chain under the strategic partnership agreement.

- The Group is required to convert the outlets under the "telepizza" name in Latin America to "Pizza Hut" within a period of five to ten years. The Group is not required to convert these outlets in Spain and Portugal and as such, both brands will continue to co-exist.

- The Group committed to opening a set number of new outlets over a 10-year period, with annual targets agreed by both parties, which for the first three years included an incentive in favour of the Group. See amendments to the original agreement in Note 1(a)(i).

- In countries where the Group operated under the “telepizza” brand but which were not covered by the master franchise contract, a period was established for carrying out divestments (Poland, the Czech Republic and other minor countries where the Group operated through a master franchisee). During 2021, the liquidation of the Group's company in the Czech Republic was completed, as well as the sale of the Group's business in Poland (see Note 6) and the termination of the master franchise agreement in Russia.

- As part of the agreement, Food Delivery Brands, S.A. contributed the bare ownership of the “telepizza” brand to a newly-created Group company TDS Telepizza, S.L. (See Note 2 (d)) in which Pizza Hut held a non-controlling interest.

- The Group granted an option to purchase on the aforementioned bare ownership to Pizza Hut for Euros 1,750 thousand, which may be exercised once, 3 years after signing the agreements for the agreed price. The price agreed is equal to the fair value of this asset at that time, which reflects the residual value of the “telepizza” brand at the end of the master franchise contract indicated above (30+10+10 years) and amounted to Euros 10,100 thousand. This call option might only be settled through the physical delivery of non-financial consideration; consequently, it was not accounted for as a derivative financial instrument.

- In financial year 2021, the Group and Pizza Hut International LLC agreed on the early exercise of the aforementioned purchase option for an additional payment of USD 3,000 thousand and, as originally agreed, the Group retains the usufruct of the "telepizza" brand and continues to operate the brand as permitted by the strategic partnership agreement. This option was exercised by Pizza Hut and did not affect the Group’s rights to the exclusive use of the brand (see Note 4 (f)).

The subsidiaries and subgroups composing the Food Delivery Brands Group (the Group), and the percentage ownership and details of the respective shareholders’ equities at 31 December 2022 and 2021, are included in Appendix I attached hereto, which forms an integral part of these notes. The Group does not hold interests in other entities or in jointly controlled entities, assets or operations.

(a) Significant events in 2022 and 2021

In June 2019, the Group completed the refinancing of its Group financial debt by issuing a Euros 335,000 thousand bond issue at a fixed interest rate of 6.25%, maturing in 2026. This bond is listed in the Luxembourg stock exchange’s Euro MTF market.

In 2020, the Group analysed potential options for optimising the current capital structure, in order to adapt it to the new business circumstances and the economic and competitive environment resulting from Covid-19, and to obtain the necessary financial resources to fully implement the business plan devised for the next few years. Along these lines, the Group held contact with various commercial banks in Spain to explore access to new ICO-guaranteed loans designed to cover the temporary impacts of Covid, and also other funding alternatives, including additional shareholder contributions, renegotiating the conditions of current financing or trading new financial instruments.

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

- The majority shareholder of Tasty Bidco, S.L. increased capital by Euros 16,974 thousand and undertook, if necessary, to raise an additional Euros 18,671 thousand (see Note 16).

- Tasty Bidco, S.L.U. and BG Select Investments (Ireland) Limited (a minority shareholder of Food Delivery Brands Group, S.A.), as lenders, and Food Delivery Brands Group, S.A. (a subsidiary of Tasty Bidco S.L.U.), as borrower, entered into a subordinated loan agreement for up to Euros 43,299 thousand, maturing in 2026. This loan is divided into two tranches: (i) a first tranche of Euros 20,619 thousand, which was paid in January 2022, of which Euros 17,499 thousand corresponds to the Company and Euros 3,120 thousand to the minority shareholder (see Note 18(b)) and (ii) a second tranche of up to Euros 22,680 thousand, which may be drawn down by Food Delivery Brands Group, S.A. under certain conditions linked to the Group's liquidity situation.

- Bank loans were arranged for an additional amount of Euros 30,000 thousand, maturing in November 2025 (see Note 18(b)).

In June 2022, the Group implemented a restructuring plan for the Pizza Hut business in Spain, which involved the closure of all its proprietary stores in Spain. However, the Pizza Hut brand continues to have a presence in Spain through the existing network of franchised stores (see Note 6).

At the end of November 2022 the Group launched a strategic review to analyse potential financing alternatives with its creditors in order to address the impact of adverse market conditions and boost the Group's future growth. To perform this review the Food Delivery Brands Group hired Kirkland & Ellis and Uría Menéndez, as legal advisors, and Houlihan Lokey, as financial advisor.

In this context, in February 2023 the Group entered into a framework restructuring agreement, as well as an interim financing agreement, with a group of holders of the Group's senior secured bonds (AHG) to recapitalise the existing debt. These bondholders represent 67% of the total bonds. The proposed refinancing and recapitalisation of the Group's existing debt will include a capitalisation of these bonds (see Notes 18 (a) and 31).

The terms of the framework and interim financing agreement, which are binding, incorporate AHG's commitment to provide interim financing of up to Euros 31 million to cover the Group's liquidity needs while the agreed recapitalisation process is carried out. These terms also include extending until 15 April the temporary suspension granted on 16 January on the payment of interest on the senior bonds maturing on that date.

In addition, the effects on the global economy of the Covid-19 pandemic and geopolitical uncertainty in Europe have led to significant increases in commodity and energy prices and distortions in supply chains, which have significantly affected the Group's business. The longer duration and intensity of the pandemic's impact and the inflationary spiral that began in the first half of 2022 have limited the Group's ability to pass on to its franchisees and end consumers the increase in the Group's operating costs resulting from these factors.

As a result of the strategic review launched by the Group, a new business plan has been drawn up which includes the effects described above in the cash flow projections for the coming years. The Group has also recorded an impairment of non-current assets for an additional amount of Euros 232,189 (see Notes 8, 10 and 24).

(i) Agreements with YUM!

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

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

As a consequence of this new agreement, on 14 May 2021 the Group and Pizza Hut International LLC agreed on the possibility of an early exercise of the aforementioned purchase option in exchange for an additional payment of USD 3,000 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.

In addition, on 31 December 2022, the Group reached an agreement with Pizza Hut International, LLC ("PHI") to amend certain key aspects of their strategic partnership and master franchise agreements entered into in 2018. As part of the revised agreement, PHI has initiated a process to regain direct management of Pizza Hut franchisee operations in Latin America and the Caribbean (excluding Brazil, Colombia, Ecuador, Mexico and Chile), while the Group will strengthen its presence in its core markets. Upon completion of this transfer, which is expected to occur on 31 December 2023, the Group will relinquish its master franchise rights in the aforementioned territories (Latin America and the Caribbean, subject to the aforementioned exclusions). In addition, the Group and PHI agreed to make certain adjustments to its opening targets per market, as well as the royalty streams that will materialise gradually over the term of the partnership. The Group will continue to operate its network of stores in Spain, Andorra, Gibraltar, Portugal and Chile, and will evaluate its strategic options in Mexico, Colombia and Ecuador – including the possible transfer of its operations in some of these territories.

(2) Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Tasty Bidco, S.L. and of the consolidated companies. The consolidated annual accounts for 2022 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other applicable provisions in the financial reporting framework, to give a true and fair view of the consolidated equity and consolidated financial position of Tasty Bidco, S.L. and subsidiaries at 31 December 2022 and of the consolidated results of operations and changes in consolidated equity and cash flows for the year then ended.

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

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

The consolidated annual accounts for 2022 were authorised for issue on 30 March 2023, and have been restated on 18 May 2023, to include subsequent events to the aforementioned formulation, which are detailed in notes 2(g) and 31.

(a) Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on a historical cost basis.

(b) Comparative information

The consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes thereto for 2022 include comparative figures for the previous year, which were part of the consolidated annual accounts for 2021, approved by the General Shareholders' Meeting on 29 June 2022.

The balances in the consolidated income statement and the consolidated cash flow statement for financial year 2021 have been restated to enable comparison with the figures for financial year 2022, as the Group has classified certain operations as discontinued in the consolidated income statement for financial year 2022 (see Note 4 (g) (ii) and 6).

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

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

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

- The Group determines the useful life of certain intangible assets acquired in a business combination based on assumptions relating to brand positioning, estimated future market share, investments in the brand and the projected cash flows to be generated by these assets (Note 4 (f)).

- The Group tests goodwill and the "Apache" brand for impairment on an annual basis. Calculation of the recoverable amount requires the use of estimates by management. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group generally uses discounted cash flow methods to calculate these values, based on projections of the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. The key assumptions employed when determining value in use include growth rates, the weighted average cost of capital, and tax rates. The estimates, including the methodology employed, could have a significant impact on the values and the impairment loss (Notes 4(h) and 10).

- The Group tests property, plant and equipment and intangible assets, including the usufruct of the "Telepizza" brand, for impairment whenever there are indications of impairment. Calculation of the recoverable amount requires the use of estimates by management. Recoverable value is the higher of the value in use and of the fair value less costs to sell.

- Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, current market trends and historical analysis of bad debts at an aggregated level. Any decrease in the volume of outstanding balances entails a reduction in impairment resulting from an aggregate analysis of historical bad debts, including an analysis of expected loss, and vice-versa (see Note 13).

- The Group capitalises tax credits and deductions when they are likely to be offset in the foreseeable future based on the business plans for each tax jurisdiction in which it operates (see Note 26). The calculation of the recoverable amount of these deferred tax assets requires the use of estimates by management. The calculations regarding their recoverability are based on the projections for coming years in the budgets approved by the Board of Directors, considering past experience, and represent the best estimate of future market performance.

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

Although estimates are calculated by the Company's Directors based on the best information available at 31 December 2022, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(d) Consolidation scope

In financial year 2022, the Spanish companies Food Delivery Brands, S.A. (absorbing company) merged with TDS Telepizza, S.A. and Luxtor, S.A. and Insular Procurement & Services, S.L. (absorbed companies).

(e) Standards and interpretations issued

Standards and interpretations effective since 2022

IAS 16 (Amendment) "Property, plant and equipment: proceeds before intended use": The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Revenues from the sale of such samples, together with production costs, are now recognised in the income statement. The amendment also clarifies that an entity is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant for this assessment. Therefore, an asset could be capable of operating as intended by management and be subject to depreciation before it has reached the operating performance level expected by management. The effective date of these amendments is 1 January 2022.

IAS 37 (Amendment) "Onerous Contracts - Cost of Fulfilling a Contract": The amendment states that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to the performance of the contracts. It also clarifies that before making a separate provision for an onerous contract, an entity shall recognise any impairment loss that has occurred on the assets used to fulfil the contract, rather than on the assets allocated to that contract. The effective date of these amendments is 1 January 2022.

IFRS 3 (Amendment) "Reference to the Conceptual Framework": IFRS 3 has been updated to refer to the 2018 Framework to determine what constitutes an asset or liability in a business combination (previously it referred to the 2001 CF). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. The effective date of these amendments is 1 January 2022.

Annual Improvements of the IFRS. Cycle 2018 - 2020: The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1 January 2022. The main changes relate to:

- IFRS 1 "First-time Adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have applied this exemption to also measure cumulative translation differences using the parent's carrying amounts based on the parent's date of transition to IFRS.

- IFRS 9 “Financial instruments”: The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to third parties or to the lender. According to the amendment, costs or fees paid to third parties will not be included in the 10% test.

- IAS 41 "Agriculture": This amendment removes the requirement to exclude cash flows for tax purposes when measuring fair value under IAS 41.

The amendments to standards and interpretations or new standards introduced since 1 January 2022 have not led to changes in the Group’s accounting policies and had no material impacts.

Standards and interpretations issued but not applied

New standards to be introduced since 1 January 2023 and those scheduled for introduction in subsequent years have a negligible or zero impact on the consolidated annual accounts and, accordingly, will not lead to a material change in the Group’s accounting policies.

- IFRS 17 "Insurance Contracts", which replaces IFRS 4 "Insurance Contracts". The new IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts that fall within the scope of IFRS 17. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2023.

- IFRS 17 (Amendment) "Insurance Contracts" and IFRS (Amendment) 9 "Financial Instruments". These amendments clarify the comparative information to be presented by companies applying these two standards for the first time. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2023.

- IAS 12 (Amendment) "Income Taxes" and IFRS 1 (Amendment) "First-time Adoption of International Financial Reporting Standards". These amendments set out principles on how companies should account for deferred taxes on transactions such as leases and decommissioning obligations. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2023.

- IAS 1 (Amendment) "Presentation of Financial Statements" and IAS 8 (Amendment) "Accounting Policies, Changes in Accounting Estimates and Errors". These amendments aim to clarify differences between accounting policies and accounting estimates with the objective of ensuring greater consistency in the application of accounting standards and in the comparability of financial statements. The Company must apply this standard in its first IFRS financial statements for periods beginning on or after 1 January 2023.

(f) Functional and presentation currency

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

(g) Going concern

At the end of November 2022, the Group launched a strategic review to analyse potential financing alternatives with its creditors in order to address the impact of adverse market conditions resulting from the sharp increase in commodity and energy prices and their effects on the business's current and future profitability.

On the basis of the aforementioned strategic review, a new business plan has been drawn up which includes the above effects, as well as those associated with the renegotiation of certain aspects of the partnership entered into in 2018 with Yum brands!

All these factors have resulted in a consolidated operating loss amounting to Euros 243,838 thousand (there was an operating profit in 2021 in the amount of Euros 16,621 thousand), and the consolidated loss for 2022 amounts to Euros 278,225 thousand (loss in the amount of Euros 27,060 thousand in 2021).

Restructuring and interim financing agreement

In February 2023, the Group entered into a framework agreement establishing the essential elements for the restructuring of the Group's financial indebtedness (the Framework Agreement), as well as an Interim Financing Agreement, with a group of holders of the Group's senior secured bonds (the AHG), which then represented 67% of the bonds, for the execution of the restructuring of the existing debt.

The terms of the Framework and Interim Financing Agreement in February 2023, include the AHG's commitment to provide interim financing of up to Euros 31 million to cover the Group's liquidity needs meanwhile the restructuring process is carried out, as well as the temporary suspension, granted on 16 January, on the obligation to pay the interest on the senior bonds due on that date until 15 April 2023. The interim financing has been fully drawn down by the Group.

In April 2023, the Group agreed on the main commercial terms of the restructuring of the existing debt with the AHG, to which additional holders of the Group's senior secured bonds have joined to reach 81.7% of the bonds, through a modification of the Framework Agreement. The commercial terms of the debt restructuring foreseen, among other things, a partial capitalization of the bonds and a 100% dilution of the current shareholders, as well as the establishment of a new financing line for an amount of 60 million euros that will replace the Interim Financing provided in February 2023. The financial restructuring is expected to be formally ratified by the Courts during the second half of 2023.

In addition to having the support of bondholders, that currently represent 81.7% of the total bonds, and the two main shareholders of the Group, that represent near to 100% of the capital, the Group is having very productive discussions towards an agreement with the creditors of the revolving credit facility line, the entities providing other working capital financing and the main lender of the ICO loans. In this sense, the objective is that other creditors voluntarily join to the Framework Agreement in the coming weeks.

Once the necessary agreements have been reached with the Group's financial creditors, the restructuring plan will be signed, and the Group's current debt will be reduced by an amount to close to 250 million euros (approximately 50%) and will benefit from an extension of the amortisation deadlines until 2028.

The new financing committed for an amount of Euros 60 million will be available to the Group on the effective date of the refinancing and will be used partially to repay the Interim Financing already provided for an amount of 31 million euros and provide liquidity to the Group. A contribution of the current main shareholders of the Group for an amount of 11 million euro will be also added to such amount.

Furthermore, the creditors have agreed to an additional extension, until 16 October 2023, of the temporary suspension granted last 16 January in relation with the interest payment on the senior bonds payable on that date and 17 July 2023, as well as an extension of the deadline for the release of the 2022 financial results until July 2023.

Strategic plan

On 31 December 2022, the Group reached an agreement with Pizza Hut International, LLC ("PHI") to amend certain key aspects of their strategic partnership and master franchise agreements entered into in 2018. As part of the revised agreement, PHI has initiated a process to regain direct management of Pizza Hut franchisee operations in Latin America and the Caribbean (excluding Brazil, Colombia, Ecuador, Mexico and Chile), while the Group will strengthen its presence in its core markets. Upon completion of this transfer, which is expected to occur on 31 December 2023, the Group will relinquish its master franchise rights in the aforementioned territories (Latin America and the Caribbean, subject to the aforementioned exclusions). In addition, the Group and PHI agreed to make certain adjustments to its opening targets per market, as well as the royalty streams that will materialise gradually over the term of the partnership. The Group will continue to operate its network of stores in Spain, Andorra, Gibraltar, Portugal and Chile, and will evaluate its strategic options in Mexico, Colombia and Ecuador – including the possible transfer of its operations in some of these territories.

Final confirmation of the financial restructuring process, together with renegotiation of the terms of the agreement with Yum!, which was formally confirmed in March 2023, completes the strategic review and financial reorganisation process that began at the end of 2022, thereby placing the Group in a much more solid position, both financially and strategically, to focus its efforts on key markets for the business and take on not only current risks and opportunities but those that might arise in the future.

Taking all the aforementioned into account, while the described situation does generate some material uncertainty about the Group's ability to continue as a going concern, the directors have prepared these consolidated annual accounts on a going concern basis, considering that, in the short term, the following will be completed: (i) court approval of the aforementioned Debt Restructuring Agreement with the Group's creditors; (ii) cash inflows until the preceding Agreement is completed; and (iii) consolidation of the positive impacts associated with the measures that are being implemented through the aforementioned strategic Plan.

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

The Board of Directors proposed that the Euros 317,676 thousands loss of Tasty Bidco, S.L. in 2022 be fully transferred to prior years' losses. The proposal will be submitted to the General Shareholders' Meeting for approval.

The proposed appropriation of the profit of Tasty Bidco, S.L. for 2021 of Euros 4,230 thousands, approved by the General Shareholders' Meeting on 29 June 2022, was that it be offset with prior years' losses.

(4) Accounting Principles

(a) Subsidiaries

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

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

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

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

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

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

(b) Business combinations

The Group applies the acquisition method for business combinations.

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

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

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

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

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

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

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

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

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

(c) Foreign currency transactions and balances

(i) Foreign currency transactions, balances and cash flows

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

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

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

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

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

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

(ii) Translation of foreign operations

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

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

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

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

(d) Property, plant and equipment

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

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

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

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

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

The depreciable amount is the cost of an asset.

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

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

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

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

(e) Right-of-use assets

(i) *Identification of a lease*

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

(ii) *Lessee accounting*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) *Lessor accounting*

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

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

- Finance leases

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

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

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

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

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

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

- <u>Operating leases</u>

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

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

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

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

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

- Subleases

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

(iv) *Other considerations*

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

(f) Intangible assets

(i) Goodwill

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

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination. In this regard, the Food Delivery Brands Group has defined each of the stores in which it operates – as well as the factories owned by the Group – as the main CGUs. It allocates the Group's CGUs based on the countries of operation to form the group of CGUs used for the calculation of the recoverable amount. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

And intangible assets with indefinite useful lives were assigned to the Group’s cash-generating units (CGU) in accordance with the country of the operation to which it belongs.

Internally generated goodwill is not recognised as an asset.

(ii) Intangible assets acquired in business combinations

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

(iii) Other intangible assets

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

- *Concessions, patents and licences*

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

- *Computer software*

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

  Computer software maintenance costs are expensed as incurred.

(iv) Useful life and amortisation rates

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

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

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

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

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

The depreciable amount is the cost of an asset.

Contractual rights arising from the franchise agreements as a result of the business combinations and the remaining intangible assets are amortised over the period in which they are expected to contribute to generating revenues (see Note 10).

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

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

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

(i) *Non-current assets held for sale*

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

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

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

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

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

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

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

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

(ii) *Discontinued operations*

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

- represents a separate major line of business or geographical area of operations;

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

- is a subsidiary acquired exclusively with a view to resale.

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

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

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

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

The Group considers that there are indications of impairment when there is a significant decline in the value of the asset, significant changes in the legal, economic or technological environment that may affect the valuation of assets, obsolescence or physical deterioration, idle assets, low returns on assets, discontinuation or restructuring plans, continuing losses at the entity or substantial deviations from estimates.

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

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

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

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

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

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

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

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

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

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

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

(i) Financial instruments

(i) Recognition and classification of instruments

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

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

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

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

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

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

(ii) *Offsetting principles*

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

(iii) *Financial assets and financial liabilities at amortised cost*

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

(iv) *Reclassifications of financial instruments*

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

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

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

(v) *Impairment*

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

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

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

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

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

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

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

(vi) Derecognition, modification and cancellation of financial assets

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

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

(vii) Derecognition of financial liabilities

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

(j) Distributions to shareholders

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

(k) Inventories

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

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

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

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

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

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

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

- Merchandise and finished goods: estimated selling price less costs to sell.

(l) Cash and cash equivalents

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

(m) Government grants

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

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

- Operating grants: operating grants are recognised as a reduction in the expenses that they are used to finance.

(n) Employee benefits

(i) Termination benefits

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

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

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

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

(ii) *Short-term employee benefits*

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

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

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

(o) Provisions

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

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

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

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

In the case of provisions arising from litigation where legal proceedings are in progress, independent lawyers or experts determine the likelihood of occurrence of the events giving rise to the need for a provision. Where it is considered possible, but not likely, that an outflow of resources will be required or where it is difficult to determine the amount of the provision reliably, the Group considers it to be a contingent liability and discloses this in the notes.

(p) Revenue recognition

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

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

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

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

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

(q) Income tax

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

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

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

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

Since 1 January 2020, Tasty Bidco, S.L. has been the Parent Company of a tax group in Spain, as defined by the consolidated tax regime, which at 31 December 2022 comprised Food Delivery Brands Group, S.A., Food Delivery Brands, S.A., Mixor, S.A. and Telepizza Gestión, S.A.

(i) *Recognition of deferred tax liabilities*

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

- they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

- they are associated with investments in subsidiaries and joint ventures for which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the difference will reverse in the foreseeable future.

(ii) *Recognition of deductible temporary differences*

The Group recognises deferred tax assets provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised or when tax legislation allows the future conversion of deferred tax assets into a receivable from public entities. However, assets arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affect neither accounting profit nor taxable income, are not recognised;

- the temporary differences are associated with investments in subsidiaries and joint ventures that will reverse in the foreseeable future and sufficient tax gains are expected to be generated against which the temporary differences can be offset;

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

(iii) Measurement of deferred tax assets and liabilities

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

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

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

(iv) Offset and classification

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

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

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

(r) Segment reporting

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

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

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

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

(t) Environment

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

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

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

(5) Segment reporting

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

At 31 December 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.

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 r Europe	Latin America	Total
Revenue				
Own outlet sales	20,252	28,603	138,142	186,997
Supply sales to franchisees	108,709	15,971	7,801	132,481
Royalties	63,738	12,427	4,155	80,320
Revenue from franchising activity	3,574	34	(73)	3,535
Other services rendered to franchisees	3,052	1,468	2,195	6,715
Revenue from initial fees	2,174	-	178	2,352
Total revenues	201,499	58,503	152,398	412,400
Amortisation and depreciation	(26,849)	(4,116)	(22,739)	(53,704)
Impairment of non-current assets	(169,082)	(8,441)	(54,666)	(232,189)
Other profit/(loss)	(685)	60	517	(108)
Operating profit/(loss)	(158,489)	(607)	(84,742)	(243,838)
Net finance income/(cost)	(22,196)	(799)	(10,453)	(33,448)
Income tax	3,073	13	4,179	7,265
Profit/(loss) from continuing operations	(177,611)	(1,393)	(91,017)	(270,021)
Profit/(loss) from discontinued operations	(8,204)	-	-	(8,204)
Non-controlling interests	(9,132)	2,897	(14,306)	(20,541)
Profit/(loss) attributable to the Parent Company	(176,686)	(4,290)	(76,708)	(257,684)
Segment assets	453,706	115,403	144,380	713,489
Assets from discontinued operations or held-for-sale assets	-	-	-	-
Group assets	455,539	113,860	144,380	713,779
Segment liabilities	485,550	33,974	189,549	709,073
Liabilities from discontinued operations or held-for-sale liabilities	-	-	-	-
Group liabilities	485,550	33,974	189,549	709,073
Investments in property, plant and equipment and intangible assets	9,298	953	19,457	29,708

	2021 (*)			
	Thousands of Euros			
	Spain	Rest of Europe	Latin America	Total
Revenue				
Own outlet sales	32,751	30,282	114,708	177,741
Supply sales to franchisees	98,341	15,171	6,232	119,744
Royalties	54,829	10,818	4,647	70,294
Revenue from franchising activity	2,206	-	542	2,748
Other services rendered to franchisees	4,270	1,528	2,250	8,048
Income from incentives	2,921	672	437	4,030
Revenue from initial fees	2,144	-	436	2,580
Total revenues	197,462	58,471	129,252	385,185
Amortisation and depreciation	(26,176)	(2,996)	(16,806)	(45,978)
Impairment of non-current assets	(1,787)	(1,396)	(3,103)	(6,286)
Other profit/(loss)	4,572	508	2,206	7,286
Operating profit/(loss)	20,853	9,564	(13,796)	16,621
Net finance income/(cost)	(23,703)	(960)	(11,112)	(35,775)
Income tax	642	(939)	366	69
Profit/(loss) from continuing operations	(2,207)	7,664	(24,542)	(19,085)
Profit/(loss) from discontinued operations	(3,231)	(4,744)	-	(7,975)
Non-controlling interests	(1,329)	3,093	(3,858)	(2,094)
Profit/(loss) attributable to the Parent Company	(4,108)	(173)	(20,685)	(24,966)
Segment assets	745,847	85,574	172,412	1,003,833
Assets from discontinued operations or held-for-sale assets	-	-	-	-
Group assets	745,847	85,574	172,412	1,003,833
Segment liabilities	554,594	31,166	137,736	723,496
Liabilities from discontinued operations or held-for-sale liabilities	-	-	-	-
Group liabilities	554,594	31,166	137,736	723,496
Investments in property, plant and equipment and intangible assets	16,205	1,333	23,679	41,217

(*) Figures have been restated (see Note 6)

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

In 2018, the global agreement between the Group and Pizza Hut (see Note 1) set forth the obligation for the Telepizza Group to make its best efforts to sell its assets in Poland and the Czech Republic. In this context, the Group decided in April 2020 to wind down its operations in the Czech Republic, ending the liquidation process in December 2021. On 25 June 2021, the Group sold its business in Poland to its local management in that country. The Telepizza outlets in Poland continued temporarily to operate under the "telepizza" brand. As a result of this sale, the Group incurred losses totalling Euros 4,362 thousand, which were recognised in the consolidated income statement under profit/(loss) from discontinued operations.

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

In June 2022, the Group implemented a restructuring plan for the Pizza Hut business in Spain, which involved the closure of all its proprietary stores in Spain. The Pizza Hut brand will continue to have a presence in Spain throughout the existing network of franchised stores (see Note 1(a)).

In view of the above, the business of the Group's own Pizza Hut establishments in Spain has been classified as income from discontinued operations in the consolidated income statement, as required by applicable regulations. In addition, the 2021 figures also include the operations in Poland and the Czech Republic.

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

	Thousands of Euros	
	2022	2021 (*)
Revenue	4,271	9,659
Merchandise and raw materials used	(1,463)	(3,480)
Personnel expenses	(3,927)	(4,511)
Depreciation and amortisation expenses	(923)	(1,633)
Other expenses	(2,988)	(3,337)
Profit/(loss) from loss of control of subsidiaries	-	(4,362)
Other losses	(3,121)	(59)
Loss from operating activities	(8,151)	(7,723)
Finance income	-	9
Finance expenses	(114)	(189)
Pre-tax loss	(8,265)	(7,903)
Income tax expense	61	(72)
Post-tax loss of discontinued operations	(8,204)	(7,975)

(*) Figures have been restated

Details of Other losses at 31 December 2022 and 2021 are as follows:

	Thousands of Euros	
	2022	2021 (*)
Impairment of other intangible assets (Note 10)	(133)	-
Impairment of goodwill (Note 10)	(84)	-
Impairment of property, plant and equipment (Note 8)	(2,884)	-
Profits/(losses) on disposals of property, plant and equipment	(20)	(59)
	(3,121)	(59)

(*) Figures have been restated

(7) Business Combinations

No business combinations have taken place during 2022.

(i) Business combinations in 2021

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

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

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

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

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

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

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

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

(8) Property, Plant and Equipment

Details and changes under this heading are as follows:

	Thousands of Euros					
Details	Land and buildings	Technical installations and machinery	Other installations, equipment and furniture	Advances and tangible assets under construction	Other property, plant and equipment	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	-	5,037	489	14,862	807	21,195
Additions due to business combinations (Note 7)	-	-	-	-	-	-
Derecognitions	(706)	(14,739)	(2,547)	(9)	(1,801)	(19,802)
Transfers from held for sale	-	-	-	-	-	-
Other transfers	15,198	(3,196)	12,369	(28,089)	3,718	-
Translation differences	(607)	6,107	(546)	1,761	46	6,761
Balance at 31/12/2022	17,254	128,083	23,972	2,261	15,887	187,457
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	-	(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	(972)	(9,495)	(1,595)	-	(1,733)	(13,795)
Derecognitions	589	7,056	1,816	-	1,418	10,879
Other transfers	17	(74)	50	-	7	-
Translation differences	(68)	(2,462)	(231)	-	(154)	(2,915)
Impairment	(134)	(17,839)	(3,201)	(5)	(644)	(21,823)
Derecognitions (impairment)	-	4,612	361	-	111	5,084
Reversal (impairment)	-	2,021	259	-	19	2,299
Amortisation at 31/12/2022	(1,914)	(86,110)	(6,001)	-	(7,703)	(101,728)
Impairment at 31/12/2022	(135)	(17,536)	(3,079)	(5)	(539)	(21,294)
Carrying amount						
At 31/12/2021	1,888	47,409	7,668	13,736	5,851	76,552
At 31/12/2022	15,205	24,437	14,892	2,256	7,645	64,435

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, improvements to existing outlets, to plants, and also reflecting the conversion of outlets to the "Pizza Hut" brand.

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

Disposals in 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 December 2022 and 2021 the Group had neither commitments to acquire items of property, plant and equipment nor PPE pledged as security. The Group does not have any unused property, plant and equipment for significant amounts.

In 2022 and 2021, the Group recognised impairment losses (net) of Euros 19,524 thousand and Euros 3,221 thousand, respectively (see Notes 6 and 24). Said impairment loss is basically due to the impairment of assets used in the Group's outlets. Impairment losses have been determined based on value in use or fair value calculations. These calculations are based on cash flow projections from the budget and business plan approved by the Directors of the Parent Company and prepared by the management of the Parent Company. Beyond the projection period, cash flows are extrapolated using specific industry growth rates in each country that do not exceed the average long-term growth rate for the business.

Spain, Portugal, Chile, Mexico, Ecuador and Colombia have been CGUs with an indication of impairment. In the case of Spain, Portugal, and Chile, the recoverable amount is determined based on calculations of value in use and the rest of CGUs based on their fair value. The pre-tax discount rate assumptions and growth rates used in the impairment tests in the years 2022 and 2021 are described in Note 10.

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

The breakdown of the cost of fully depreciated property, plant and equipment at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Technical installations and machinery	23,167	32,824
Other	8,868	7,439
	32,035	40,263

(9) Leases

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

The details and changes 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 9 (b))	146
Rental updates	10,095
Derecognitions	(11,365)
Amortisation and depreciation	(15,454)
Derecognitions from cumulative depreciation	5,867
Other changes	570
Translation differences	(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	9,201
Transfers (franchise repurchases) (Note 9 (b))	(660)
Rental updates	(3,550)
Derecognitions	(6,671)
Amortisation and depreciation	(17,859)
Derecognitions from cumulative depreciation	6,667
Translation differences	(4,017)
Cost, attributed cost or revalued cost	91,019
Cumulative depreciation and impairment losses	(41,319)
Carrying amount at 31 December 2022	49,700

Most of the right-of-use assets correspond to leased premises where the Group conducts its activities as well as the plants and headquarters. Derecognitions in 2022 and 2021 correspond mainly to outlet closures or the sale of outlets to franchisees.

(i) Nature and exposure to lease contract risk

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

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

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

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

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

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

(ii) *Details and material amounts in lease contracts*

The details and material amounts in lease contracts by asset class at 31 December 2022 in 2021 are as follows:

	Thousands of Euros	
	2022	2021
Fixed lease payments	28,731	27,484
Finance expenses from lease liabilities	5,502	5,137
Income from subleases	4,383	5,362
Lease liabilities	75,921	88,669

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

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

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

- Possible future relocation for demographic reasons: delivery zone coverage, socio-demographic changes and others.

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

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

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

(iii) *Details of lease payments and liabilities*

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

	Thousands of Euros	
	2022	2021
Six months	14,322	13,262
Six months to one year	12,416	13,271
One to two years	20,255	21,909
Two to three years	12,597	18,040
Three to four years	9,346	14,285
Four to five years	6,383	10,822
More than five years	11,190	24,517
	86,509	116,106

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

(i) *Nature and exposure to finance lease contract risk*

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

(ii) Changes of net investment for impairment of finance lease contracts

Changes in net investment in finance lease contracts in 2022 and 2021 are as follows:

	Thousands of Euros	
	2022	2021
Balance at 1 January	16,661	41,239
Additions	-	4,657
Derecognitions	(1,323)	(19,362)
Transfers for franchise repurchases (Note 9 (b))	660	(146)
Finance income	783	835
Rental updates	2,817	(3,615)
Receipts	(4,383)	(5,362)
Translation differences	120	(1,585)
Balance at 31 December	15,335	16,661

Transfers in 2022 and 2021 correspond to lease contracts for franchisee outlets that have been acquired.

Derecognitions in 2022 and 2021 correspond mainly to the transfer of the head lease pursuant to lease contracts to the sublessees of the premises.

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

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

	Thousands of Euros	
	2022	
	Non-current	Current
Gross amount receivable	12,078	3,919
Unaccrued finance income	(662)	-
Current value of finance leases receivable	11,416	3,919

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

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

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

	Thousands of Euros	
	2022	2021
Up to six months	2,001	2,054
Six to twelve months	1,919	1,939
One to two years	3,548	3,649
Two to three years	2,579	3,406
Three to four years	2,038	2,489
More than five years	3,912	5,317
Less current part	(3,919)	(3,993)
Total non-current	12,078	14,861

(10) Intangible Assets and Goodwill

Details of "Goodwill" and movement during the year 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)
Derecognitions	147
Impairment losses for the year (Note 24)	(2,086)
Balance at 31/12/2021	238,840
Translation differences	(27)
Derecognitions	(199)
Impairment losses for the year (Notes 6 and 24)	(165,254)
Balance at 31/12/2022	73,360

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

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

	Thousands of Euros	
	2022	2021
Spain	43,093	174,332
Portugal	24,734	32,870
Chile	-	23,063
Mexico	-	2,840
Colombia	-	202
Ireland	5,533	5,533
	73,360	238,840

The effects on the global economy of the Covid-19 pandemic and the geopolitical uncertainty in Europe have led to significant increases in commodity and energy prices and distortions in supply chains, which have significantly affected the Group's business. The longer duration and intensity of the pandemic's impact and the inflationary spiral that began in the first half of 2022 have limited the Group's ability to pass on to its franchisees and end consumers the increase in the Group's operating costs resulting from these factors.

As a result, and on the basis of the strategic review implemented by the Group, a new business plan has been drawn up which includes the effects described above in the cash flow projections for the coming years. The Company has recognised an impairment of goodwill for the CGUs as follows:

	Thousands of Euros	
	2022	2021
Spain	131,083	-
Portugal	8,136	-
Chile	23,019	2,086
Mexico	2,840	-
Colombia	176	-
	165,254	2,086

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

The assumptions for pre-tax discount rates, perpetual growth rates and average sales growth percentage in 2022 and 2021 were as follows:

	2022			
	Spain	Portugal	Chile	Ireland
Discount rate (WACC)	10.35%	11.45%	10.60%	10.50%
Growth rate of income in perpetuity (g)	1.90%	1.90%	1.90%	1.80%
Average sales growth	5.4%	6.70%	10.00%	6.60%

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

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

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

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

In the sensitivity analysis of goodwill impairment per CGU group, considering reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity, would have led to a negative impact on the consolidated annual accounts at 31 December and 2022 as follows:

	Thousands of Euros					
	2022					
	Growth rate of income in perpetuity (g)					
	Spain			Portugal		
Discount rate (WACC)	0.00	0.25	0.50	0.00	0.25	0.50
0.00	-	(4,026)	(7,826)	-	(860)	(1,677)
0.25	(5,315)	(9,086)	(12,651)	(1,171)	(1,982)	(2,753)
0.50	(10,332)	(13,870)	(17,220)	(2,284)	(3,049)	(3,778)

In the sensitivity analysis of the impairment of goodwill per CGU group, in 2021 – only in the case of the goodwill of the Chile CGU relating to the above stores – reasonably possible negative variations in the business operating assumptions could result in an impairment of Euros 1,172 thousand. For the remaining CGU groups, considering reasonably possible negative variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity, would have no impact at 31 December 2021.

Details of "Other intangible assets" and changes are as follows:

	Thousands of Euros				
	Concessions, 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)
Transfers	(405)	-	-	-	(405)
Translation differences	202	-	-	(239)	(37)
Balance at 31/12/2021	18,069	258,059	167,421	48,370	491,919
Additions	1,893	-	-	6,620	8,513
Derecognitions	(749)	-	-	(81)	(830)
Transfers	(1,203)	-	-	1,203	-
Translation differences	386	-	-	41	427
Balance at 31/12/2022	18,396	258,059	167,421	56,153	500,029
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 loss (Note 24)	(42)	-	(931)	(6)	(979)
Amortisation at 31/12/2021	(2,323)	(6,175)	(17,712)	(30,950)	(57,160)
Impairment at 31/12/2021	(34)	-	(931)	(6)	(971)
Amortisation for the year	(971)	(8,283)	(6,699)	(7,021)	(22,974)
Derecognitions	250	-	-	66	316
Translation differences	139	-	-	53	192
Derecognitions (impairment)	224	-	-	34	258
Impairment loss (Notes 6 and 24)	(4,164)	(36,565)	(9,462)	(321)	(50,512)
Amortisation at 31/12/2022	(2,919)	(14,458)	(24,411)	(37,852)	(79,640)
Impairment at 31/12/2022	(3,960)	(36,565)	(10,393)	(293)	(51,211)
Carrying amount					
At 31 December 2021	15,712	251,884	148,778	17,414	433,788
At 31 December 2022	11,517	207,036	132,617	18,008	369,178

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 shares in Food Delivery Brands Group, S.A., which owns the "telepizza", "Jeno's pizza" and "Apache" brands, theses were measured at their fair value for the amounts of Euros 236,030 thousand, Euros 998 thousand and Euros 28,178 thousand, respectively. Moreover, in the aforementioned business combination, the rights arising from the franchise contracts were also recognised at their fair value, which originally totalled Euros 167,485 thousand.

The "telepizza" brand and the "Apache" brand were both deemed intangible assets with indefinite lifetimes, as is the "Jeno's Pizza" brand (see Note 1) inasmuch as one of the obligations included in the agreements reached with Pizza Hut was that all of the Group's outlets in Colombia be converted to the "Pizza Hut" brand within a maximum period of three years. However, as a result of the early exercise of the purchase option by Yum! Brands on the bare ownership of the brand (see Notes 1 and 4(f)), the usufruct of the brand has become finite and therefore has started to be amortised over its remaining useful life, which coincides with the usufruct period. In addition, as a result of the aforementioned early exercise of the purchase option on the bare ownership of the brand, a gain on the sale of Euros 6,269 thousand was generated in 2021 (see Note 25).

The recoverable amount of "Telepizza" and "Apache" brand intangible assets is determined on the basis of value in use calculations. These calculations are based on cash flow projections from the budget and business plan approved by the Directors of the Parent Company and prepared by the management of the Parent Company. Beyond the projection period, cash flows are extrapolated using specific industry growth rates in each country that do not exceed the average long-term growth rate for the business. As a result of the agreement with Pizza Hut, in 2022 most of the value of the "telepizza" brand resided in the businesses in Spain, Portugal and Chile.

As a result, and on the basis of the strategic review implemented by the Group (see Note 1 (a)), a new business plan has been drawn up which includes the effects described above in the cash flow projections for the coming years, and the Company has recorded an impairment of the "Telepizza" brand in 2022 amounting to Euros 36,565 thousand.

Based on the estimates and projections available to the Parent Company's Directors, the forecast net cash flows fully justify the carrying amount of the intangible assets with an indefinite useful life that have been recognised. The main discount rate assumptions used when calculating value in use in 2022 and 2021 for intangible assets with an indefinite useful life, and the perpetuity growth rates, are as follows:

	2021	2022	
	Apache	Telepizza	Apache
Discount rate (WACC)	8.70%	10.35%	10.50%
Growth rate of income in perpetuity (g)	2.00%	1.90%	1.80%
Average sales growth	12.2%	4.7%	6.6%

Average annual sales growth rates have an almost proportionate impact on the other operating assumptions of the business, such as gross margin and EBITDA. Growth rates of income in perpetuity have been determined based on the Economist Intelligence Unit (EIU) estimates of the GDP deflator and the CPI of the different countries.

In the sensitivity analysis of “Telepizza” brand impairment, considering reasonably possible negative variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity, would have led to an impact on the annual accounts at 31 December 2021 and 2022 as follows:

	Thousands of Euros		
	2022		
	Growth rate of income in perpetuity (g)		
Discount rate (WACC)	0.00	0.25	0.50
0.00	-	(650)	(1,263)
0.25	(4,876)	(5,456)	(6,005)
0.50	(9,486)	(10,006)	(10,497)

According to a sensitivity analysis of the “Apache” brand impairment, considering reasonably possible variations of between 50 and 25 basis points in the discount rate, between 50 and 25 basis points in the growth rate of income in perpetuity or in the business operating assumptions, would have no impact on the consolidated annual accounts at 31 December 2022 and 2021.

With respect to contractual rights with franchisees subject to amortisation and based on the strategic review launched by the Group (see Note 1 (a)), an impairment of Euros 9,462 thousand has been recognised for the aforementioned contractual rights with franchisees. During 2021, the Group recognised impairment losses of contractual rights for an amount of Euros 931 thousand related to the contractual rights of its franchisees in Switzerland.

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

	Thousands of Euros				
Description of the asset	Remaining useful life	Amortisation for the year	Impairment accumulated	Accumulated amortisation	Carrying amount
2022					
“telepizza” brand	26	8,283	36,565	13,460	178,858
“Jeno’s Pizza” brand	-	-	-	998	-
“Apache” brand	Indefinite	-	-	-	28,178
Contractual rights	22	6,699	10,393	24,411	132,617
		14,982	46,958	38,869	339,653

	Thousands of Euros				
Description of the asset	Remaining useful life	Amortisation for the year	Accumulated impairment	Accumulated amortisation	Carrying amount
2021					
“telepizza” brand	27	5,177	-	5,177	223,706
“Jeno’s Pizza” brand	-	425	-	998	-
“Apache” brand	Indefinite	-	-	-	28,178
Contractual rights	23	6,699	931	17,712	148,778
		12,301	931	23,887	400,662

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

The breakdown of the cost of fully amortised intangible assets at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Computer software	23,490	19,155
Trademarks	998	998
Other	3,531	147
	28,019	20,300

(11) Non-current Financial Assets

The breakdown of other non-current financial assets at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Security and other deposits	3,780	4,136
Non-current trade receivables	8,167	10,267
Other loans and receivables	1,080	1,975
Impairment losses (Note 13)	(3,441)	-
	9,586	16,378

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

Non-current trade receivables mainly reflect revenue receivable from franchising activities. The payment method for these sales transactions depends on what is contractually agreed with each franchisee. Deferred collection is usually agreed, with due dates falling between one and ten years, secured by the franchisees' operating businesses. The impairment losses recognised in 2022 amounting to Euros 3,441 thousand relate to Non-current trade receivables.

The average maturity of non-current trade receivables at 31 December 2022 and 2021 is 2.51 years and 2.28 years, respectively.

In 2021, the Group granted new loans to the Directors and personnel amounting, at 31 December 2022 and 2021, to Euros 1,072 thousand and Euros 1,892 thousand respectively, which are due in 2025 and accrue interest at a market rate.

(12) Inventories

The breakdown at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Merchandise	11,820	15,358
Raw materials	729	691
Finished goods	326	192
Impairment	(375)	(980)
Total inventories	12,500	15,261

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

	Thousands of Euros	
	2022	2021
Net purchases	141,878	113,921
Change in inventories	3,500	(446)
	138,378	113,475

The Group has long-term commitments to purchase certain inventories, which if breached would give rise to penalties of approximately Euros 2 million. This circumstance is not expected to arise (Euros 2 million in 2021).

At 31 December 2022 and 2021 the Group has no inventories pledged as collateral to secure repayment of debts and commitments with third parties. The Group has taken out sufficient insurance policies to cover the risk of damage to its inventories.

(13) Trade and Other Receivables

Details are as follows:

	Thousands of Euros	
	2022	2021
Trade receivables	56,780	50,632
Creditor advances	5,451	2,722
Other receivables	3,676	3,614
Public entities	12,064	8,555
Impairment losses	(9,333)	(10,499)
Trade and other receivables	68,638	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.

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

	Thousands of Euros		
	Assets at amortised cost		
	2022		2021
	Non-current	Current	Current
Current			
Balance at 1 January	-	(10,499)	(10,804)
Charge	(3,442)	(671)	(410)
Application	-	1,804	490
Reversal	-	193	51
Translation differences	1	(160)	174
Balance at 31 December	(3,441)	(9,333)	(10,499)
	(Note 11)		

(14) Cash and Cash Equivalents

The breakdown at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Cash in hand and at banks	19,589	58,162
Cash and cash equivalents	19,589	58,162

At 31 December 2022, the unavailable cash balance amounts to Euros 229 thousand, which is pledged as collateral for the issuance of guarantees in favour of several supply companies. At 31 December 2021, the cash and bank balance was fully available.

(15) Deferred Tax

The breakdown of deferred tax assets is as follows:

	Thousands of Euros				
Deferred tax assets	Non-deductible amortisation and depreciation	Tax credit and deductions	Leases	Other	Total
Balance at 31/12/2020	2,815	15,557	2,759	8,582	29,713
Taken to the income statement (Note 26)	(899)	4,320	(288)	(825)	2,308
Balance at 31/12/2021	1,916	19,877	2,471	7,757	32,021
Taken to the income statement (Note 26)	(797)	(7,019)	(148)	4,509	(3,455)
Balance at 31/12/2022	1,119	12,858	2,323	12,266	28,566

The deferred tax assets recognised in the consolidated statement of financial position at 31 December 2022 and 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. In 2021 (see Note 26).

The derecognitions of tax credits and deductions relate mainly to those of Telepizza Chile, S.A., as their recoverability is not considered probable.

Other deferred tax assets mainly relate to non-deductible provisions and impairments of trade receivables.

The Group has recognised deferred tax assets in respect of tax credits for loss carryforwards and deductions available for offset because the Directors consider these credits to be recoverable. This assumption is based on the business plans approved by the Directors. Due to the restrictions established in tax regulations on the deductibility of finance expenses, the tax group in Spain has been generating positive taxable income and will continue to do so in the next 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 2027.

In the case of Spanish companies and under Royal Decree-Law 3/2018, the limits for the offset of tax loss carryforwards were amended to 25% on 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.

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

	Thousands of Euros			
Deferred tax liabilities	Freedom of depreciation/amortisation	Intangible assets	Other	Total
Balance at 31/12/2020	4	100,961	1,201	102,166
Credit/(charge) to the income statement (Note 26)	-	(4,953)	(75)	(5,028)
Balance at 31/12/2021	4	96,008	1,126	97,138
Credit/(charge) to the income statement (Note 26)	(4)	(16,149)	(712)	(16,865)
Balance at 31/12/2022	-	80,776	414	81,190

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

(16) Equity

(a) Capital

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

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

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

At 31 December 2022 and 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 2022 being Tasty Debtco S.à.r.l. with 99.99%

(b) Share premium

At 31 December 2022 and 2021, this reserve is freely distributable, provided that, as a result of its distribution, the shareholders' equity does not fall below the share capital.

(c) Retained earnings

- Legal reserve

The Parent Company is obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of total share capital after the increase. At 31 December 2022, the Parent Company does not have a legal reserve since it has incurred in losses since its incorporation in 2018.

- Shareholder contributions

At 31 December 2021 and 2022, this reserve is freely distributable.

(d) Translation differences

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

(17) Other Current and Non-current Financial Liabilities

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

	Thousands of Euros			
	2022		2021	
	Non-current	Current	Non-current	Current
Deposits and guarantees	419	-	601	-
Other payables	-	58	2,226	166
	419	58	2,827	166

Other payables at 31 December 2021 corresponded to the Euros 2,226 thousand payable to the former shareholder of the company acquired in Ireland in 2017 – The Good Food Company, Ltd., and were repaid in 2022.

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

(a) Debentures and bonds

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

- The acquisition of all shares representing the share capital of Tasty Bondco 1, S.A. (Currently Foodco Bondco, 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. This bond is listed in the Luxembourg stock exchange's Euro MTF market.

- Early repayment of the Euros 200,000 thousand syndicated loan arranged by the Group with certain banks on 8 April 2016 and, simultaneously, the loan guarantees were released.

Moreover, linked to the financing obtained through issuance of the bond, the Group has a revolving credit facility syndicated for a maximum drawdown amount of Euros 45,000 thousand, at an interest rate of 3.25% and maturing in 2026. At 31 December 2022 and 2021 this credit facility is fully drawn down by the investee Food Delivery Brands, S.A., (see Note 18 (b)).

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

The breakdown of debentures and bonds at 31 December 2022 and 2021 is follows:

		Thousands of Euros			
Category	Final maturity	Limit	Balance 31 December 2022	Balance 31 December 2021	Interest rate
Senior					
Bond	2026	335,000	335,000	335,000	6.25%
Arrangement costs			(9,720)	(12,212)	
Balance at 31 December			325,280	322,788	

Interest accrued in 2022 and 2021 totalled Euros 20,938 thousand. At 31 December 2022 and 2021, outstanding unpaid interest on these payables amounted to Euros 9,611 thousand. Likewise, Euros 2,492 thousand and Euros 2,321 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. and Telepizza Portugal Comercio de Productos Alimentares, S.A. to secure the above-mentioned bond. The aforementioned shares directly or indirectly make up practically all of the assets and liabilities pledged as collateral.

There are also obligations relating to shareholder information and the verification of compliance with certain ratios, including, in the case of significant investments, increases in indebtedness, dividend payment or the sale of material assets. At 31 December 2022 and 2021, all the obligations were fulfilled.

(b) Non-current loans and borrowings

The breakdown of current financial debt in the consolidated statement of financial position at 31 December 2022 and 2021 is as follows:

	Thousands of Euros			
	2022		2021	
	Non-current	Current	Non-current	Current
Revolving credit facility (Note 18 (a))	45,000	-	45,000	-
ICO loan	37,853	800	38,468	800
Loans to related parties	4,069	214	3,489	106
Unpaid accrued interest	-	699	-	655
Reverse factoring lines	-	11,995	-	7,095
Credit facility	-	2,204	-	2,067
Other payables	184	1,000	282	-
	87,106	16,912	87,239	10,723

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

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

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

On 22 December 2020, Food Delivery Brands Group, S.A., as borrower, and BG Select Investments (Ireland) Limited, as lender, signed a subordinated loan agreement undertaking to finance the Group's liquidity requirements up to a maximum amount of Euros 6,552 thousand by means of two funding tranches. This loan accrues interest payable quarterly and matures on 16 November 2026. At 31 December 2022 and 2021 the amount of this loan with capitalised interest amounts to Euros 4,069 thousand and Euros 3,489 thousand respectively.

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

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

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

Liability balances classified under financing activities are reconciled as follows:

	Thousands of Euros		
	Current financial debts	Non-current financial debts	Total
Balance at 1 January 2022	410,027	20,334	430,361
Accrued interest	580	28,746	29,326
Interest paid	-	(28,594)	(28,594)
(Redemption)/issuance of debt	(98)	5,237	5,139
Amortised cost (arrangement costs)	2,677	-	2,677
Transfers between current and non-current	(800)	800	-
Balance at 31 December 2022	412,386	26,523	438,909

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

(19) Provisions

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

	Thousands of Euros			
	2022		2021	
	Non-current	Current	Non-current	Current
Litigation, claims and inspections	1,136	-	493	-
Obligations to employees	833	529	1,122	63
Other provisions	580	300	-	51
Total	2,549	829	1,615	114

The breakdown and changes of provisions in 2022 and 2021 are as follows:

	Thousands of Euros			
	Litigation, claims and inspections	Obligations to employees	Other provisions	Total
At 1 January 2021	558	3,964	51	4,573
Additions due to business combinations	-	28	-	28
Allowances	(65)	(364)	-	(429)
Payments	-	(2,394)	-	(2,394)
Translation differences	-	(49)	-	(49)
At 31 December 2021	493	1,185	51	1,729
Allowances	718	2,586	1,675	4,979
Payments	(103)	(2,456)	(846)	(3,405)
Reversals	(34)	-	-	(34)
Translation differences	62	47	-	109
At 31 December 2022	1,136	1,362	880	3,378

(a) Litigation, claims and inspections

This provision covers certain administrative or legal claims received by the Group for which the risk is considered probable.

(b) Obligations to Employees

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

(c) Contingencies

The Group has contingent liabilities for bank and other guarantees related to its normal business operations amounting to Euros 2,860 thousand and Euros 2,836 thousand at 31 December 2022 and 2021, respectively. No significant liabilities are expected to arise from these guarantees.

(20) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	2022	2021
Trade payables and other payables	89,495	80,207
Public entities	10,589	7,648
Salaries payable	2,721	8,070
	102,805	95,925

At 31 December 2022 and 2021, trade payables include Euros 18,160 thousand and Euros 18,879 thousand, respectively, payable to financial institutions for reverse factoring transactions.

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

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

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

	2022	2021
	Days	Days
Average supplier payment period	72	110
Transactions paid ratio	74	102
Transactions payable ratio	72	175
	Thousands of Euros	Thousands of Euros
Total payments made	79,877	109,919
Total payments outstanding	33,152	32,225

Information on invoices paid in a period shorter than the maximum period laid down in the late payment regulations is as follows:

	Euros
	2022
Monetary amount paid in Euro (euro)	31,272
As a percentage of the total monetary payments to suppliers	42%
Number of invoices paid	3,093
As a percentage of the total number of invoices paid to suppliers	20%

(21) Ordinary revenue from contracts with customers

Details are as follows:

	Thousands of Euros	
	2022	2021 (*)
Outlet sales to customers	186,997	177,741
Supply sale to franchisees and others	132,481	119,744
Royalties	80,320	70,294
Revenue from franchising activity	3,535	2,748
Other services rendered to franchisees	6,715	8,048
Income from incentives	-	4,030
Revenue from initial fees	2,352	2,580
	412,400	385,185

(*) Figures have been restated (see Note 6)

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

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

(22) Personnel expenses

The breakdown of personnel expenses in 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021 (*)
Salaries, wages and similar	75,341	74,312
Social Security	7,796	8,862
Termination benefits	1,385	5,603
Other employee benefits expenses	110	89
Total personnel expenses	84,632	88,866

(*) Figures have been restated (see Note 6)

The average number of full-time equivalent employees in the Group during 2022 and 2021, distributed by category, is as follows:

	Number	
	2022	2021
Management personnel	45	41
Outlet managers	478	482
Other personnel	6,662	6,486
	7,185	7,009

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

	Number			
	2022		2021	
	Male	Female	Male	Female
Directors	7	-	8	1
Management personnel	29	7	32	6
Outlet managers	223	255	221	258
Other personnel	3,911	2,751	3,638	2,596
	4,170	3,013	3,899	2,861

The average number of Company employees with a minimum disability rating of 33% (or local equivalent) in 2022 and 2021, distributed by category, is as follows:

	Number	
	2022	2021
Technicians	-	1
Other personnel	50	84
	50	85

(23) Other Expenses

The breakdown of other expenses is as follows:

	Thousands of Euros	
	2022	2021 (*)
Fees and royalties	39,010	29,498
Transport	16,704	15,283
Advertising and publicity	29,032	25,232
Utilities	16,275	13,497
Other expenses	46,206	37,735
	147,227	121,245

(*) Figures have been restated (see Note 6)

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).

Other expenses mainly include consultants' services, maintenance, repairs, cleaning and insurance policies.

(24) Impairment of Non-current Assets

Details at 31 December 2022 and 2021 are as follows:

	Thousands of Euros	
	2022	2021
Impairment of other intangible assets (Note 10)	(50,379)	(979)
Impairment of goodwill (Note 10)	(165,170)	(2,086)
Impairment of property, plant and equipment (Note 8)	(16,640)	(3,221)
	(232,189)	(6,286)

(25) Other profit/(loss)

Details at 31 December 2022 and 2021 are as follows:

	Thousands of Euros	
	2022	2021 (*)
Profit/(loss) from the sale of Telepizza's bare ownership (Note 10)	-	6,269
Profit/(loss) from net investment in subleases	179	1,957
Profit/(loss) on derecognition of intangible assets	(352)	(1,066)
Profit/(loss) on sale of property, plant and equipment	65	126
	(108)	7,286

(*) Figures have been restated (see Note 6)

(26) Income Tax

A reconciliation of income tax, resulting from applying the standard tax rate in Spain to the pre-tax profit or loss, with the income tax expense recognised in the consolidated income statement for 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
Pre-tax loss from continuing operations	(276,998)	(22,318)
Impairment of non-current assets	231,901	-
Tax losses not recognised as tax credits	38,991	19,744
	(6,106)	(2,574)
Expected tax expense/(income) at the tax rate applicable to the Parent Company (25%)	(1,526)	(643)
Non-deductible expenses at the tax rate	22	53
Withholdings for payments to non-residents	3,978	4,189
Recognition (adjustment) of deferred taxes	3,119	(2,515)
Derecognition of deferred tax liabilities for impairment of intangible assets	(12,419)	-
Expense/(income) due to different tax rates	(652)	(643)
Other changes	(703)	(443)
Tax income	(8,181)	(2)

Income tax payable/(recoverable) for 2022 and 2021 is calculated as follows:

	Thousands of Euros	
	2022	2021
Tax income	(8,181)	(2)
Deductible temporary differences and tax credits (Note 15)	(3,455)	2,308
Taxable temporary differences (Note 15)	16,865	5,023
Payments on account and withholdings	(5,366)	(7,905)
Other changes	(332)	709
Income tax payable/(recoverable)	(469)	138

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

At 31 December 2022 and 2021, the Group has recognised as deferred tax assets certain tax loss carryforwards of the tax group in Spain – and other countries (mainly Ecuador and Mexico) – for an amount of Euros 3,889 thousand.

The total tax loss carryforwards outstanding for the above countries are as follows:

	Thousands of Euros				
	2022		2021		
Year	Spain	Other	Spain	Chile	Other
2011	13,071		13,725	-	-
2012	4,343		4,343	-	-
2013	1,182		1,182	-	-
2014	-		-	-	-
2015	-		-	-	286
2016	1,539	1,471	1,539	-	1,724
2017	-		-	-	792
2018	-	2,236	-	-	1,915
2019	757		757	10,823	
2020	15,340	4,202	15,340	11,783	3,749
2021	-	1,577	-	16,529	1,550
2022 (estimated)	-	-	-	-	-
Total	36,232	9,485	36,886	39,135	10,016

The tax loss carryforwards of the tax group are not subject to a statute of limitations, while those of Mexico and Ecuador are subject to a 10-year statute of limitations.

Furthermore, a tax loss carryforward was generated at Tasty Bidco, S.L. in 2019 for Euros 15,778 thousand prior to its inclusion in the tax group in Spain which is not recognised as deferred tax assets.

At 31 December 2022 and 2021 the Group has the following unrecognised deferred tax assets in respect of tax loss carryforwards of companies in Chile, Switzerland and Colombia (Switzerland and Colombia in 2021):

	Thousands of Euros	
Year	2022	2021
2013	143	161
2014	3,641	4,086
2015	3,082	3,459
2016	490	549
2017	1,958	1,952
2018	689	662
2019	12,429	916
2020	16,456	3,991
2021	19,300	-
2022	17,312	-
Total	75,501	15,776

At 31 December 2022, the Group has non-deductible interest arising from the Group companies in Spain for an amount of Euros 190,942 thousand (Euros 180,238 thousand in 2021) (Euros 1,620 thousand in 2021 in Portugal), available for future offset indefinitely. The breakdown is as follows:

	Thousands of Euros	
Year	2022	2021
2012	33,042	33,042
2013	38,045	38,045
2014	48,939	48,939
2015	15,938	15,938
2016	8,711	8,711
2017	-	1,620
2019	9,023	12,130
2020	12,081	12,081
2021	11,890	11,352
2022 (estimated)	13,274	-
	190,942	181,858

The Group has deductions recognised as deferred tax assets amounting to Euros 5,835 thousand and, according to the tax returns filed by Group companies in previous years and estimates for 2022, the Group has the following deductions pending application:

	Thousands of Euros			
Year	2021		2021	
	RD	RD&I	RD	RD&I
2019	2,649	-	884	-
2020	2,565	-	2,565	112
2021	1,732	54	4,109	366
2022 (estimated)	3,713	31	-	-
	10,659	85	7,558	478

In 2020, the following inspections commenced at Group companies:

- The subsidiary Telepizza Chile, S.A. was in the midst of a general tax inspection with respect to income tax and transfer prices in relation to the fiscal year 2017. This inspection procedure was completed in 2021 without any significant impact on the financial statements of this Group company.

- The consolidated tax group in Spain: In October 2020, notification was received of the start of partial tax inspection proceedings in respect of corporate income tax relating to the 2014-2020 period. These proceedings refer to the consolidated tax group in force in that period, which was headed by Food Delivery Brands Group, S.A., and whose composition was different to the current one. On 20 December 2021, the tax auditors signed the tax assessments, which mainly considered certain expenses from previous years to be non-deductible. The aforementioned assessments resulted in a reduction of taxable income for previous years amounting to Euros 2,580 thousand and a reduction of tax payable amounting to Euros 289 thousand.

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

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

(27) Commitments

As stated in Notes 8 and 10, at 31 December 2022 and 2021 the Group has no relevant commitments relating to investing activities.

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

In 2022 and 2021 the Parent Company's Directors received remuneration (including severance pay) amounting to Euros 1,009 thousand and Euros 3,774 thousand, respectively. Moreover, at 31 December 2022 and 2021, the Group has extended loans or advances to the Directors totalling Euros 347 thousand and Euros 745 thousand, respectively. The main conditions and characteristics of the loans to the Directors are described in Note 11. Life insurance premiums of Euros 1 thousand and Euros 3 thousand were paid on behalf of the Directors in 2022 and 2021, respectively, and the savings plan contributions made amounted to Euros 50 thousand and Euros 73 thousand, respectively.

Public liability insurance premiums paid on behalf of the Directors in 2022 and 2021 amounted to Euros 53 thousand and Euros 52 thousand, respectively.

In 2022 and 2021, the members of the Group's Senior Management received remuneration (including severance pay) amounting to Euros 3,152 thousand and Euros 5,760 thousand. Moreover, at 31 December 2022 and 2021, the Group has extended loans or advances to Senior Management totalling Euros 463 thousand and Euros 830 thousand, respectively. The main conditions and characteristics of the loans to Senior Management are described in Note 11. Life insurance premiums of Euros 3 thousand and Euros 5 thousand were paid on behalf of Senior Management in 2022 and 2021, respectively, and the savings plan contributions made amounted to Euros 85 thousand and Euros 42 thousand, respectively.

In 2022 and 2021 the Parent Company's Directors did not carry out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or Group companies.

Conflicts of interest concerning the Directors

In 2022 and 2021 the Directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(29) Environmental Information

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

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

The Group considers that the environmental risks deriving from its activity are minimal and adequately covered and that no additional liabilities will arise therefrom. The Group did not make any investments, incur any expenses or receive any significant grants related with these risks during the years ended 31 December 2022 and 2021.

(30) Audit Fees

Fees relating to services provided by the firm auditing the Group's annual accounts for the years ended 31 December 2022 (a different audit firm in 2021), regardless of when they were invoiced, are as follows:

	Thousands of Euros	
	2022	2021
Audit services	184	226
Other assurance services	3	3
Other services	28	-
	215	239

The amounts detailed in the above table include the total fees for services rendered in 2022 and 2021, irrespective of the date of invoice.

Other entities affiliated with the auditors invoiced the Group the following fees and expenses for professional services during the years ended 31 December 2022 (a different auditor was used in 2021):

	Thousands of Euros	
	2022	2021
Audit services	153	104
Other services	-	19
	153	125

(31) Events after the Reporting Period

In February 2023, the Group entered into a framework agreement establishing the essential elements for the restructuring of the Group's financial indebtedness (the Framework Agreement), as well as an Interim Financing Agreement, with a group of holders of the Group's senior secured bonds (the AHG), which then represented 67% of the bonds, for the execution of the restructuring of the existing debt.

The terms of the Framework and Interim Financing Agreement in February 2023, include the AHG's commitment to provide interim financing of up to Euros 31 million to cover the Group's liquidity needs meanwhile the restructuring process is carried out, as well as the temporary suspension, granted on 16 January, on the obligation to pay the interest on the senior bonds due on that date until 15 April 2023. The interim financing has been fully drawn down by the Group.

In April 2023, the Group agreed on the main commercial terms of the restructuring of the existing debt with the AHG, to which additional holders of the Group's senior secured bonds have joined to reach 81.7% of the bonds, through a modification of the Framework Agreement. The commercial terms of the debt restructuring foreseen, among other things, a partial capitalization of the bonds and a 100% dilution of the current shareholders, as well as the establishment of a new financing line for an amount of 60 million euros that will replace the Interim Financing provided in February 2023. The financial restructuring is expected to be formally ratified by the Courts during the second half of 2023.

In addition to having the support of bondholders, that currently represent 81.7% of the total bonds, and the two main shareholders of the Group, that represent near to 100% of the capital, the Group is having very productive discussions towards an agreement with the creditors of the revolving credit facility line, the entities providing other working capital financing and the main lender of the ICO loans. In this sense, the objective is that other creditors voluntarily join to the Framework Agreement in the coming weeks.

Once the necessary agreements have been reached with the Group's financial creditors, the restructuring plan will be signed, and the Group's current debt will be reduced by an amount to close to 250 million euros (approximately 50%) and will benefit from an extension of the amortisation deadlines until 2028.

The new financing committed for an amount of Euros 60 million will be available to the Group on the effective date of the refinancing and will be used partially to repay the Interim Financing already provided for an amount of 31 million euros and provide liquidity to the Group. A contribution of the current main shareholders of the Group for an amount of 11 million euro will be also added to such amount.

Furthermore, the creditors have agreed to an additional extension, until 16 October 2023, of the temporary suspension granted last 16 January in relation with the interest payment on the senior bonds payable on that date and 17 July 2023, as well as an extension of the deadline for the release of the 2022 financial results until July 2023.

(32) Risk Management Policy

Financial risk factors

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

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

Interest rate risk

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

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

The structure of financial risk at 31 December 2022 and 2021 is as follows:

		Thousands of Euros	
Type of financing	Interest rate	2022	2021
Bond	Fixed (6.25%)	325,280	322,788
Revolving facility	Euribor +3.25%	45,000	45,000
ICO loan	Fixed (3.61%)	38,653	39,268
Loans to related parties	Fixed rate capitalisable	4,283	3,595
Total		413,216	410,651

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

At 31 December 2022 and 2021, had interest rates been 25 basis points higher or lower, with the other variables remaining constant, this would have barely affected income for the year, because most of the Group's indebtedness is at a fixed rate.

Currency risk

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

Currency risk mainly arises from three types of transactions:

- Commercial transactions in foreign currency.

- Intragroup payables in foreign currency.

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

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

At 31 December 2022, had the Euro weakened/strengthened by 10% against the Chilean Peso, the Colombian Peso and the Mexican Peso with the other variables remaining constant, consolidated post-tax loss would have been Euros 7,546 thousand lower or higher (Euros 1,946 thousand in 2021), mainly as a result of translating trade receivables, debt instruments classified as available-for-sale financial assets and payables to Group companies that are eliminated on consolidation. Translation differences recognised under "Other comprehensive income" would have decreased by Euros 903 thousand, mainly due to translation differences on foreign operations.

Liquidity risk

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

The current geopolitical uncertainty in Europe, together with a significant increase in commodity and energy prices, has increased the liquidity risk due to restrictions in accessing new financing and certain delays in collections from our customers. However, the Group now has new funding in place to address this increased liquidity risk.

The Group's exposure to liquidity risk at 31 December 2022 and 2021 is shown below. These tables present an analysis of financial liabilities by remaining contractual maturity dates.

	Thousands of Euros					
	Amount at 31/12/2022	Future cash flow maturities	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Bonds and bank borrowings with credit institutions						
Principal	428,385	459,252	15,183	4,069	440,000	-
Interest	10,524	13,822	11,143	2,025	654	-
Trade and other accounts payable	102,805	102,805	102,805	-	-	-
Total	541,714	575,879	129,131	6,094	440,654	-

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

Lease payment maturities are detailed in Note 9.

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

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

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

Credit risk

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

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

The current geopolitical uncertainty in Europe, together with a significant increase in commodity and energy prices, has not significantly increased the credit risk but rather has only led to small delays in collections from our customers.

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

	Thousands of Euros	
	2022	2021
Non-current financial assets	9,586	16,378
Net investment in subleases	15,335	16,661
Trade and other receivables	69,965	55,024
Cash and cash equivalents	19,587	58,162
	114,473	146,225

(i) *Trade receivables*

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

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

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

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

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

2022	Thousands of Euros					
	Europe			Latin America		
Maturity	%	Amount	Impairment	%	Amount	Impairment
Current	0.36%	26,097	(93)	6.21%	18,072	(1,123)
Less than 3 months	1.71%	6,170	(106)	43.02%	663	(285)
3 to 6 months	0.58%	1,959	(11)	75.55%	156	(118)
6 months to 1 year	62.48%	199	(124)	2.92%	824	(24)
More than 1 year	90.97%	6,502	(5,915)	96.51%	1,590	(1,534)
	15.27%	40,927	(6,249)	14.48%	21,305	(3,084)

2021	Thousands of Euros					
	Europe			Latin America		
Maturity	%	Amount	Impairment	%	Amount	Impairment
Current	0.06%	32,529	(18)	0.00%	6,784	-
Less than 3 months	0.24%	1,485	(4)	11.29%	760	(86)
3 to 6 months	26.52%	600	(159)	44.13%	487	(215)
6 months to 1 year	89.87%	145	(130)	0.00%	172	-
More than 1 year	99.31%	7,771	(7,717)	82.76%	2,622	(2,170)
	18.88%	42,530	(8,029)	22.82%	10,824	(2,470)

In 2022, the Group recognised an impairment of Euros 4,113 thousand (Euros 410 thousand in 2021) in respect of receivables exposed to credit risk.

(ii) *Cash and cash equivalents*

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

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

31 December 2022

(Expressed in thousands of Euros)

	Registered office	Shareholding percentage Direct	Indirect	Capital	Reserves	Profit/(loss)	Total equity
Food Delivery Brands Group, S.A. (1)	Madrid	84.5%	-	25,106	368,805	(378,554)	15,357
Food Delivery Brands, S.A. (1)	Madrid	-	100%	16,380	35,714	(181,062)	(128,968)
Mixor, S.A. (3)	Madrid	-	100%	3,215	(11,848)	(10,217)	(18,850)
Telepizza Gestión, S.A. (3)	Madrid	-	100%	1,085	995	831	2,910
Foodco Bondco, S.A. (1)	Madrid	-	100%	5,214	389,916	(374,376)	20,754
Telepizza Chile, S.A. (2)	Santiago de Chile	-	100%	30,294	(6,518)	(27,185)	(3,409)
Todopizza, S. A.	Santiago de Chile	-	100%	12	1,050	-	1,062
Telepizza Portugal Comercio de Produtos Alimentares, S.A (1)	Lisbon	-	100%	1,900	7,578	2,139	11,617
Telepizza Guatemala, S.A (3)	Guatemala	-	100%	1	459	-	460
Alimentos de la Costa Costahut, S.A. (1)	Ecuador	-	100%	1	(29)	(30)	(58)
Sociedad de Turismo Sodetur, S.A. (1)	Ecuador	-	100%	6,482	1,036	(1,126)	6,392
Telepizza Industries International Telepizzainter, S.A. (1)	Ecuador	-	100%	1	(401)	(331)	(731)
Inverjenos S.A.S. (1)	Bogota	-	100%	746	5,434	(6,947)	(767)
Telepizza Shanghai, S.L. (3)	Shanghai	-	100%	104	24	(4)	124
Telepizza Switzerland GmbH (3)	Berne	-	100%	18	(3,555)	(626)	(4,163)
The Good Food Company Ltd (1)	Ireland	-	51%	-	9,489	3,083	12,571
Mooncharm Limited (1)	Ireland	-	51%	-	1,071	2,259	3,330
Iberifood, SAP.I. SA de C.V. (1)	Mexico	-	100%	-	6,320	412	6,661
Desarrolladora Inmobiliaria de Restaurantes, S. de R. L. de C. V. (1)	Mexico	-	100%	7,143	40	(17,125)	(9,942)
Expertos en Repartos a Domicilio, S. de R.L. de C.V. (1)	Mexico	-	100%		8	632	640
Expertos en Restaurantes, S. de R.L. de C.V. (1)	Mexico	-	100%		163	(1,294)	(1,131)

(1) Statutory accounts audited
(2) Statutory accounts of main companies of the subgroup audited
(3) Statutory accounts not audited
(4) Dormant companies

This appendix forms an integral part of Note 1 to the consolidated annual accounts for 2022, in conjunction with which it should be read.

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

31 December 2021

(Expressed in thousands of Euros)

	Registered office	Shareholding percentage					Total
	office	Direct	Indirect	Capital	Reserves	Profit/(loss)	equity
Food Delivery Brands Group, S.A. (1)	Madrid	84.3%	-	25,180	369,221	1,627	396,028
Food Delivery Brands, S.A. (1)	Madrid	-	100%	16,380	58,553	(15,948)	58,985
Mixor, S.A. (3)	Madrid	-	100%	3,215	(12,609)	1,020	(8,374)
Telepizza Gestión, S.A. (3)	Madrid	-	100%	1,085	251	743	2,079
Foodco Bondco, S.A. (1)	Madrid	-	100%	5,214	386,660	3,256	395,130
Telepizza Chile, S.A. (2)	Santiago de Chile	-	100%	29,038	15,288	(21,819)	(22,507)
Todopizza, S.A.	Santiago de Chile	-	100%	12	984	-	996
Telepizza Portugal Comercio de Produtos Alimentares, S.A (1)	Lisbon	-	100%	1,900	9,586	3,992	15,478
Telepizza Guatemala, S.A (3)	Guatemala	-	100%	1	439	-	440
Luxtor, S.A. (1)	Avila	-	100%	6,128	1,261	5,758	13,147
Alimentos de la Costa Costahut, S.A. (3)	Ecuador	-	100%	1	(31)	(13)	(43)
Sociedad de Turismo Sodetur, S.A. (3)	Ecuador	-	100%	6,689	2,655	(2,057)	7,287
Telepizza Industries International Telepizzainter, S.A.	Ecuador	-	100%	1	18	(391)	(372)
Inverjenos S.A.S. (1)	Bogota	-	100%	746	9,975	(4,840)	5,881
Telepizza Shanghai S.L. (3)	Shanghai	-	100%	104	52	(26)	130
Telepizza Switzerland GmbH (3)	Berne	-	100%	18	(2,993)	(413)	(3,388)
The Good Food Company Ltd (3)	Ireland	-	51%	-	6,507	2,982	9,489
Mooncharm Limited (3)	Ireland	-	51%	-	1,554	1,735	3,289
TDS Telepizza, S.L. (3)	Spain	-	100%	4	10,293	(237)	10,059
Insular Procurement & Services, S.L. (3)	Spain	-	100%	3	(135)	1,085	953
Iberifood, SAP.I. SA de C.V.	Mexico	-	100%	-	5,841	(227)	5,614
Desarrolladora Inmobiliaria de Restaurantes, S. de R. L. de C. V.	Mexico	-	100%	7,017	(2,694)	(3,634)	689
Expertos en Repartos a Domicilio, S. de R.L. de C.V.	Mexico	-	100%	-	145	(17)	128
Expertos en Restaurantes, S. de R.L. de C.V.	Mexico	-	100%	-	483	275	758

(1) Statutory accounts audited
(2) Statutory accounts of main companies of the subgroup audited
(3) Statutory accounts not audited
(4) Dormant companies

This appendix forms an integral part of Note 1 to the consolidated annual accounts for 2022, in conjunction with which it should be read.

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.

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 2022, 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.

On 31 December 2022, the Group reached an agreement with Pizza Hut International, LLC ("PHI") to amend certain key aspects of their strategic partnership and master franchise agreements entered into in 2018. As part of the revised agreement, PHI has initiated a process to regain direct management of Pizza Hut franchisee operations in Latin America and the Caribbean (excluding Brazil, Colombia, Ecuador, Mexico and Chile), while the Group will strengthen its presence in its core markets. Upon completion of this process, which is expected to occur on 31 December 2023, the Group will relinquish its master franchise rights in the above territories (Latin America and the Caribbean, subject to the aforementioned exclusions). In addition, the Group and PHI agreed to make certain adjustments to its opening targets per market, as well as the royalty streams that will materialise gradually over the term of the partnership. The Group will continue to operate its network of stores in Spain, Andorra, Gibraltar, Portugal and Chile, and will evaluate its strategic options in Mexico, Colombia and Ecuador – including the possible transfer of its operations in some of these territories.

Recent changes in the corporate and capital structures

On 21 January 2021, 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 Spanish National Securities Market Commission (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 2021, the Group completed the refinancing of its existing financial debt by means of the following transactions:

- The acquisition of all shares representing the share capital of Tasty Bondco 1, S.A. from Tasty DebtCo S.à.r.l., an affiliate of Tasty Bidco, S.L. which completed a Euros 335,000 thousand bond issue at a fixed interest rate of 6.25%, maturing in 2026. These bonds are listed in the Luxembourg stock exchange's Euro MTF market.

- Early repayment of the Euros 200,000 thousand syndicated loan arranged by the Group with certain banks on 8 April 2016 and, simultaneously, the syndicated loan guarantees were released and guarantees were provided to bondholders.

As part of the recapitalisation of the Group, the Company's General Meeting of Shareholders, held on 17 June 2021, 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.

The Group's position and business performance

At the end of November 2022, the Group launched a strategic review to discuss potential financing alternatives with its creditors in order to address the impact of adverse market conditions and boost the Group's future growth. To perform this review the Food Delivery Brands Group hired Kirkland & Ellis and Uría Menéndez, as legal advisors, and Houlihan Lokey, as financial advisor. This review also examines it partnership with Yum!.

In this context, in 2023 the Group entered into a framework restructuring agreement, as well as an interim financing agreement, with a group of holders of the Group's senior secured bonds(AHG) to recapitalise the existing debt. These bondholders represent 67% of the total bonds. The proposed refinancing and recapitalisation of the Group's existing debt will include a capitalisation of these bonds.

The terms of the framework and interim financing agreement, which are binding, incorporate AHG's commitment to provide interim financing of up to Euros 31 million to cover the Group's liquidity needs while the agreed recapitalisation process is carried out. These terms also include extending until 15 April the temporary suspension granted on 16 January on the payment of interest on the senior bonds maturing on that date.

As a result of the strategic review launched by the Group, a new business plan has been drawn up which includes the effects described above in the cash flow projections for the coming years. The Group has also recorded an impairment of non-current assets for an additional amount of Euros 232,189.

The reconciliation between the consolidated income statements for 2022 and 2021, and the same excluding the effects of IFRS 16, is shown below

	Thousands of Euros		
	2022	IFRS 16	2022 ex IFRS 16
Revenues	412,400	4,383	416,783
Merchandise and raw materials used	(138,378)	-	(138,378)
Personnel expenses	(84,632)	-	(84,632)
Depreciation and amortisation expenses	(53,704)	17,177	(36,527)
Other expenses	(147,227)	(27,020)	(174,247)
Impairment of non-current assets	(232,189)	-	(232,189)
Other losses	(108)	(3)	(111)
Loss from operating activities	(243,838)	(5,463)	(249,301)
Finance income	2,634	(783)	1,851
Finance expenses	(36,082)	5,502	(30,580)
Loss before tax from continuing operations	(277,286)	(744)	(278,030)
Income tax expense	7,265	151	7,416
Loss for the year from continuing operations	(270,021)	(593)	(270,614)
Post-tax loss of discontinued operations	(8,204)	183	(8,021)
Loss for the year	(278,021)	(410)	(278,635)
Profit/(loss) attributable to non-controlling interests	(20,541)	(63)	(20,604)

	Thousands of Euros		
	2021 (*)	IFRS 16 (*)	2021 ex IFRS 16 (*)
Revenues	385,185	4,105	389,290
Merchandise and raw materials used	(113,475)	-	(113,475)
Personnel expenses	(88,866)	-	(88,866)
Depreciation and amortisation expenses	(45,978)	14,804	(31,174)
Other expenses	(121,245)	(23,240)	(144,485)
Impairment of non-current assets	(6,286)	-	(6,286)
Other losses	7,286	(1,994)	5,292
Loss from operating activities	16,621	(6,325)	10,296
Finance income	2,438	(835)	1,603
Finance expenses	(38,213)	4,995	(33,218)
Loss before tax from continuing operations	(19,154)	(2,165)	(21,319)
Income tax expense	69	112	181
Loss for the year from continuing operations	(19,085)	(2,053)	(21,138)
Post-tax loss of discontinued operations	(7,975)	(34)	(8,009)
Loss for the year	(27,060)	(2,087)	(29,147)
Profit/(loss) attributable to non-controlling interests	(2,094)	(328)	(2,422)

(*) Figures have been restated

Food Delivery Brands Group chain sales in the 12-month reporting period ended on 31 December 2022

	EMEA	Latam	Total
Crecimiento de venta cadena (1) growth	6.0%	27,4%	16,3%
Crecimiento de venta cadena[1] en moneda constante	5,8%	15,3%	10,6%

Excluding discontinued operations of PH Spain

Summary of the income statement for the 12-month reporting period ended on 31 December 2022 (excluding discontinued operations)

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

€m	FY21	FY22	% change
Own Store Sales	177.7	187.0	5.2%
Supply Chain, Royalties, Marketing & Other i	209.6	229.2	9.3%
Total Revenues	387.4	416.2	7.4%
COGS	-113.5	-138.4	21.9%
% Gross Margin	70.7%	66.8%	-4.0 pp
Operating expenses	-222.2	-242.3	9.1%
Adjusted EBITDA	51.7	35.5	-31.4%
% Adjusted EBITDA margin	13.4%	8.5%	-4.8 pp
Non recurring / operating expenses	-9.3	-16.0	72.4%
Reported EBITDA	42.5	19.5	-54.0%
Adjusted EBITDA under IFRS16	70.9	58.2	-18.0%
% Adjusted EBITDA margin	18.3%	14.0%	-4.3 pp

In the 2022 period, the Food Delivery Brands Group reported an increase in chain sales (which includes the total sales of own outlets, franchisees and master franchisees) of 10.6% at fixed exchange rate to Euros 1,311.1 million, compared with Euros 1,127.8 million in the same period of 2021. Revenues increased by 7.4% to Euros 416.2 million, compared to Euros 387.4 million in the same period of 2021.

EBITDA reported in 2022 amounted to Euros 19.5 million, compared with Euros 42.5 million in the same period of 2021 (-54%). Adjusted EBITDA, excluding non-operating and non-recurring costs, amounted to Euros 35.5 million, compared with Euros 51.7 million in the same period of 2021 (-31.4%).

EMEA

Chain sales in EMEA increased by 5.8% in the year on a like-for-like basis, to Euros 623 million; compared with Euros 587.7 million in the same period of 2021.

LatAm

Chain sales in LatAm increased by 15.3% in the year on a like-for-like basis, to Euros 688.2 million; compared with Euros 540.1 million in the same period of 2021.

M&A

No M&A operations have taken place during 2022

Expansion of the outlet network (continued operations)

At 31 December 2022, the Group operated 2,368 outlets belonging to the Telepizza and Pizza Hut brands, of which 1,183 were located in EMEA and 1,185 in LatAm. This figure compares with a total of 2.675 outlets on 31 December 2021.

During 2022, 115 new stores were opened, of which 42 are located in EMEA and 73 in Latam. In parallel, there were 271 store closures, including Pizza Hut's proprietary stores in Spain, in addition to the termination of the partnership for the operation of Telepizza stores in Guatemala and El Salvador. The combined total of openings minus closures resulted in a net reduction of 156 stores in the network.

Outlook for 2023

Following the impact of Covid and the war in Ukraine, which has resulted in a sharp increase in energy prices, commodities and wage costs, the Group expects a gradual return to pre-pandemic stability. It expects this to be reflected in lower inflation levels and moderate economic and employment growth in the various markets in which the group operates.

However, this positive outlook could again be dampened if the global economic situation were to be affected by a resurgence of geopolitical tensions stemming from the conflict between Russia and Ukraine.

Meanwhile, the Group continues to work on short-, medium- and long-term actions to minimise the possible adverse effects of the aforementioned risks, as well as to accelerate the optimisation of its operating processes and the development of its digital capabilities to adapt to consumers' new needs and habits, thereby ensuring the sustainability and profitability of its franchisee network – a key element for the business's growth and expansion.

In any case, the positive resolution of the financial restructuring process initiated at the end of 2022 and currently under way, together with the review of the strategic agreement with Yum! formalised in December last year, will provide the Group with greater financial and operational capacity to face the changes that may occur in the coming years on a firm footing and with confidence.

Risks and uncertainties

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

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

Liquidity risk

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

Credit risk

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

Innovation

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

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

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

Transactions with own shares

There have been no transactions with own shares.

Average supplier payment period

The average supplier payment period of the consolidated Spanish companies is 108 days, and actions are being implemented to facilitate reverse factoring lines in order to reduce this average payment period.

Non-financial Information Statement

The non-financial information required pursuant to Spain's Law 11/2018, of 28 December 2018, concerning non-financial reporting and diversity, is presented separate from this Consolidated Directors' Report, in the "2022 Non-Financial Information Statement", a document which is available on the website www.fooddeliverybrands.com.

Events after the reporting period

In February 2023, the Group entered into a framework agreement establishing the essential elements for the restructuring of the Group's financial indebtedness (the Framework Agreement), as well as an Interim Financing Agreement, with a group of holders of the Group's senior secured bonds (the AHG), which then represented 67% of the bonds, for the execution of the restructuring of the existing debt.

The terms of the Framework and Interim Financing Agreement in February 2023, include the AHG's commitment to provide interim financing of up to Euros 31 million to cover the Group's liquidity needs meanwhile the restructuring process is carried out, as well as the temporary suspension, granted on 16 January, on the obligation to pay the interest on the senior bonds due on that date until 15 April 2023. The interim financing has been fully drawn down by the Group.

In April 2023, the Group agreed on the main commercial terms of the restructuring of the existing debt with the AHG, to which additional holders of the Group's senior secured bonds have joined to reach 81.7% of the bonds, through a modification of the Framework Agreement. The commercial terms of the debt restructuring foreseen, among other things, a partial capitalization of the bonds and a 100% dilution of the current shareholders, as well as the establishment of a new financing line for an amount of 60 million euros that will replace the Interim Financing provided in February 2023. The financial restructuring is expected to be formally ratified by the Courts during the second half of 2023.

In addition to having the support of bondholders, that currently represent 81.7% of the total bonds, and the two main shareholders of the Group, that represent near to 100% of the capital, the Group is having very productive discussions towards an agreement with the creditors of the revolving credit facility line, the entities providing other working capital financing and the main lender of the ICO loans. In this sense, the objective is that other creditors voluntarily join to the Framework Agreement in the coming weeks.

Once the necessary agreements have been reached with the Group's financial creditors, the restructuring plan will be signed, and the Group's current debt will be reduced by an amount to close to 250 million euros (approximately 50%) and will benefit from an extension of the amortisation deadlines until 2028.

The new financing committed for an amount of Euros 60 million will be available to the Group on the effective date of the refinancing and will be used partially to repay the Interim Financing already provided for an amount of 31 million euros and provide liquidity to the Group. A contribution of the current main shareholders of the Group for an amount of 11 million euro will be also added to such amount.

Furthermore, the creditors have agreed to an additional extension, until 16 October 2023, of the temporary suspension granted last 16 January in relation with the interest payment on the senior bonds payable on that date and 17 July 2023, as well as an extension of the deadline for the release of the 2022 financial results until July 2023.

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.

TASTY BIDCO, S.L.
AND SUBSIDIARIES

AUTHORISATION FOR ISSUE

At its meeting on 18 May 2023, the Board of Directors of TASTY BIDCO, S.L, pursuant to the requirements of article 253.2 of the Restated Text of the Corporate Enterprises Act (T.R.L.S.C.) and article 37 of the Commercial Code, hereby authorises for issue the consolidated annual accounts and the Directors' report of TASTY BIDCO, S.L. and its subsidiaries for the year beginning on 1 January 2022 and ending on 31 December 2022. The annual accounts are comprised of the attached documents preceding this one.

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Jacobo Caller Celestino
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Mr Jacobo Caller Celestino
Chairman & Chief Executive Officer

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Mr Gabriele Questa
Director

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Mr Oscar Salazar Gaitán
Director

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Mr Philippe Sassoon
Director

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Mr Manuel Echenique Sanjurjo
Secretary

I, Manuel Echenique Sanjurjo, as Secretary non-director of the Board of Directors, certify the authenticity of the signatures of the gentlemen whose names appear at the bottom, who are members of the Board of Directors of the Company, and I also certify that the consolidated annual accounts for 2022 were initially formulated on 30 March 2023, and that the Board of Directors re-formulated the aforementioned consolidated accounts at the meeting held on 18 May 2023 to include the subsequent events disclosed in the consolidated annual accounts attached hereto. The consolidated accounts comprised of the documents attached hereto correspond to the accounts re-formulated by the Board of Directors at its meeting held on 18 May 2023.