English translation only for information purposes

Telepizza Group, S.A.

Annual Accounts

31st December 2017

Management Report
Financial Year 2017

(Together with the Audit Report)

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

Annual Accounts Audit Report
Issued by an Independent Auditor

To the shareholders of Telepizza Group, S.A.

ANNUAL ACCOUNTS REPORT

Opinion

We have audited the annual accounts of Telepizza Group, S.A. (the Company), that include the balance sheet up to 31st December 2017, the profit and loss account, the statement of changes to net equity, the statement of cash flows and the report all corresponding to the financial year closing on this date.

In our opinion, the attached consolidated annual accounts provide, regarding all relevant aspects, a true and fair view of the equity and the financial situation of the Company on 31st December 2017, while also of its results and cash flows corresponding to the financial year closed on such date, in accordance with the applicable financial information regulatory framework (identified in note 2 of the report) and, specifically, with the accounting standards and criteria included in same.

Basis for Opinion

Our audit was carried out in compliance with the regulations in force governing account auditing activities in Spain. Our responsibility according to such regulations are described below in the *Responsibilities of the Auditor regarding the Annual Accounts Audit* section of this report.

We are independent from the Company in accordance with the ethical requirements, including those regarding independence, applicable to our annual accounts audit in Spain according to that required by the account auditing activity regulations. In this sense, we did not provide any service other than account auditing nor has any situation or circumstance arisen which, in accordance with that established in the aforementioned regulations, may affect the necessary independence in such a way it is compromised.

We consider the audit evidence obtained provides a sufficient and adequate basis to back our opinion.

Key Auditing Issues

The key auditing issues are those which, in our professional judgement, were considered most significant when auditing the annual accounts for the current period. These issues were considered within the context of our annual accounts audit as a whole and when forming an opinion on these, without us stating any separate opinion regarding such issues.

Short and Long Term Recoverable Value from Investments in Group and Associated Companies (517,793,061 euros)
See notes 4(b), 7 and 8 of the Annual Accounts Report

Key Auditing Issue	*How the Issue was Tackled in Our Audit*
The recoverable value from investments group companies is calculated for those companies showing impairment indicators, by means of applying valuation techniques requiring the administrators to exercise their judgement, together with the use of hypotheses and estimates. This has been considered a key issue in our audit due to the significant accounting balance of investments in group and associated companies and to the uncertainty associated with the aforementioned hypotheses and estimates.	Among others, our auditing procedures included the following: • Evaluating the design and implementation of the key control in relation to the investment valuation process. • Evaluating the impairment indicators identified by the Company. • Evaluating the reasonableness of the methodology and hypotheses used when estimating the recoverable value, with the involvement of our valuation specialists. • Contrasting the information included in the model with the business plans of the investee company. • Evaluating whether the information revealed in the annual accounts complies with the financial information regulatory framework applicable to the Company.

Recoverability of Deferred Tax Assets **See notes 4(f) and 11 of the Annual Accounts Report**	
Key Auditing Issues	*How the Issue was Tackled in Our Audit*
On 31st December 2017, the Company has an amount of 16,229,002 euros recorded in the deferred tax assets item corresponding to negative tax bases and to non-deductible interest pending compensation. The acknowledgement of deferred tax assets implies a high degree of judgement by the administrators regarding the evaluation of quantification, probability and sufficiency of future tax gains necessary for compensation, the future reversion of existing temporary taxable differences and, where applicable, the tax planning opportunities considered by the Company. We consider this a key issue in our audit due to the uncertainty associated with the recovery of amounts recorded as deferred tax assets and their expected recovery periods.	Among others, our auditing procedures included the following: • Evaluating the design and implementation of the key control in relation to the deferred tax asset recoverability estimation process. • Evaluating the reasonableness of the criteria, together with the main hypotheses considered by the Company when estimating future tax gains of the Spanish tax group necessary for compensation, while taking into account the assignation to each company paying taxes under the consolidated tax statement. • Contrasting the result forecasts serving as a base to acknowledge deferred tax assets and non-deductible interest pending compensation, in accordance with the real results obtained in the current year, and evaluating the reasonableness of the time period the Company envisages to compensate such assets. • Evaluating whether the information revealed in the annual accounts, in reference to the aforementioned deferred tax assets, complies with the financial information regulatory framework applicable to the Company.

Other Information: Management Report

Other information exclusively comprises the 2017 management report, whose preparation is the responsibility of the administrators of the Company and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the information included in the management report is defined in the account auditing activity regulations, these establishing two differentiated levels regarding same:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in art. 35.2. b) of Law 22/2015, on Account Auditing, consisting in only checking that the aforementioned information has been provided in the management report or reporting on this fact otherwise.

b) A general level applicable to any other information included in the management report, consisting in evaluating and informing on the consistency of the aforementioned information with the annual accounts, on the basis of existing knowledge on the entity obtained from auditing the aforementioned accounts and without including any other information from that obtained as evidence during the audit, together with evaluating and informing on whether the contents and presentation of this part of the management report comply with the applicable standards. We have the obligation to inform on the existence of any material misstatement found in the conclusions drawn from the work we perform.

According to that described previously and based on the work performed, we confirm the information stated in section a) above is provided in the management report and that the rest of the information included in the management report matches that in the annual accounts for accounts for financial year 2017, with its contents and presentation complying with the applicable standards.

Responsibility of the Administrators and the Audit Committee regarding the Annual Accounts

The administrators are responsible for preparing the attached annual accounts, in such a way they provide a true and fair view of the equity, the financial situation and the results of the Company, in accordance with the financial information regulatory framework applicable in Spain and whatever internal control may be considered necessary to allow for the preparation of annual accounts free from material misstatements, due to fraud or error.

In the preparation of the consolidated annual accounts, the administrators are responsible for assessing the capacity of the Company to continue as a going concern revealing, where appropriate, the issues relating to going concern and using the going concern basis of accounting except if the administrators intend to liquidate the Group or to cease its operations, or whenever there is no other realistic alternative.

The audit committee is responsible for supervising the process of preparing and presenting the annual accounts.

Responsibility of the Auditor regarding the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance that the annual accounts as a whole are free from material misstatements, due to fraud or error, and to issue an audit report including our opinion.

Reasonable assurance is a high level of assurance, although this does not guarantee that an audit performed in accordance with the regulations in force governing account auditing activities in Spain will always detect the existence of material misstatements. Misstatements may arise from fraud or error and are considered material whenever, individually or in aggregate, they may be reasonably expected to influence the economic decisions taken by users based on the annual accounts.

As part of an audit in accordance with la regulations in force governing account auditing activities in Spain, we exercise our professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the 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 terms of the circumstances, not for the purpose of giving an opinion on the effectiveness of the internal control of the entity.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the administrators[2].
- Reach a conclusion on the appropriateness of the use, by the administrators, 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 doubts on the capacity of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 audit report. However, future events or conditions may cause the Company to cease to be a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in such a way they give a true and fair view.

We communicate with the audit committee of Telepizza Group, S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, together with any significant internal control deficiency we may identify during our audit.

We also provide the audit committee of the entity a statement of our compliance with the ethical requirements applicable, including those regarding independence, having contacted such committee to inform on any issue that may reasonably put our independence at risk and, where applicable, on its corresponding safeguards.

Among the issues communicated to the audit committee of the entity, we determined those most significant when auditing the annual accounts for the current period and, therefore, those which are the key issues of the audit.

These issues are described in our audit report, except whenever their public disclosure is forbidden by the legal or regulatory provisions.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report for the Audit Committee

The opinion stated in this report is coherent with that stated in our additional report for the audit committee of Telepizza Group, S.A. on 27th February 2018.

Contract Period

The General Shareholders' Meeting of Telepizza Group, S.A., held on 22nd June 2017, appointed us as auditors for a period of 1 year for the financial years ending on 31st December 2017. Previously, we have been performing the account auditing work uninterruptedly since the financial year ending on 31st December 2006. The admission for trading of the shares of the Company in the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia took place on 27th April 2016.

KPMG Auditores, S.L.
Registered in the R.O.A.C. (Spanish Official Registry of Accounting Auditors) n° S0702

AUDITORES
Spanish Institute of Chartered Accountants (ICJCE)

KPMG AUDITORES, S.L.

Year 2018 No. 01/18/02893

CORPORATE STAMP: 96.00 EUR

Account audit report subject to the Spanish or international accounting auditing regulations

Carlos Peregrina García
Registered in the R.O.A.C. no. 15,765

27th February 2018

TELEPIZZA GROUP, S.A.

Balance Sheets
on 31st December 2017 and 2016

(in euros)

Assets	Notes	2017	2016
Tangible fixed assets	6	897	1,256
Long-term investments in group and associated companies			
Equity instruments	7	519,291,428	519,291,428
Loans to group companies and related parties	8 (a)	45,231,328	47,769,651
Deferred tax asset	11	16,229,002	16,273,192
Total non-current assets		580,752,655	583,335,527
Commercial debtors and other accounts receivable	8 (b)		
Short-term clients, group and associated companies		134,886	261,268
Debtors		73,186	-
Current tax assets		162,832	1,393,682
Other loans with Public Administrations		471,400	545,049
Short-term investments in group and associated companies	8 (a)		
Loans to companies		7,495,797	4,286,936
Cash and other equivalent liquid assets			
Treasury		30,267,397	22,713,334
Total current assets		38,605,498	29,200,269
Total assets		619,358,153	612,535,796

Liabilities	Notes	2017	2016
Own funds	9		
Capital			
Declared capital		25,180,170	25,180,170
Issue premium		533,695,773	533,695,773
Reserves			
Legal reserve		10,831,946	10,831,946
Other reserves		170,448,761	170,448,761
Results from previous years			
(Negative results from previous years)		(132,231,688)	(121,439,537)
Results of the year		10,143,245	(10,792,151)
Total net equity		618,068,207	607,924,962
Short-term debts with group and associated companies	10 (a)	25,818	2,242,405
Commercial creditors and other accounts payable	10 (b)		
Sundry creditors		180,903	705,409
Creditors from group companies		153,576	1,217,395
Personnel		814,400	352,470
Other debts with Public Administrations		115,249	93,155
Total current liabilities		1,289,946	4,610,834
Total net equity and liabilities		619,358,153	612,535,796

The attached report is part of the annual accounts for financial year 2017

TELEPIZZA GROUP, S.A.

Profit and Loss Accounts
of financial years ending on
31st December 2017 and 2016

(in euros)

	Notes	2017	2016
Net turnover			
Income from services provided	12 (a)	1,085,572	2,165,629
Income from dividends		7,500,000	-
Personnel expenses			
Wages, salaries and similar expenses	12 (b)	(1,887,347)	(14,434,319)
Social contributions		(51,067)	(26,677)
Other operating expenses			
External services	12 (c)	(466,923)	(5,986,390)
Taxes		(29,393)	(1,304)
Depreciation of fixed assets	6	(359)	(180)
Operating result		6,150,483	(18,283,241)
Financial income			
Negotiable values and fixed asset loans			
From group and associated companies	14 (b)	440,963	1,108,195
From third parties		-	37
Financial expenses			
From debts with group and associated companies	14 (b)	(883)	(7,063,020)
From debts with third parties		-	(4,027)
Exchange rate differences		-	(390)
Financial result		440,080	(5,959,205)
Result before taxes		6,590,563	(24,242,446)
Profit tax	11	3,552,682	13,450,295
Results of the year from ongoing operations		10,143,245	(10,792,151)

TELEPIZZA GROUP, S.A.
Statements of changes in Net Equity of
financial years ending on
31st December 2017 y 2016

A) Statement of Income and Expenses Recognised

(in euros)

	2017	2016
Profit and loss account results	10,143,245	(10,792,151)
Total income and expenses recognised	10,143,245	(10,792,151)

TELEPIZZA GROUP, S.A.

Statements of Net Equity Changes of financial years ending on 31st December 2017 and 2016

B) Total Statements of Net Equity Changes

(in euros)

	Issued capital	Issue premium	Legal reserve	Reserves in first GAAP Application	Members' shares	Other reserves	Results of previous years	Results of the financial year	Total
Credit on 31st December 2015	18,000,000	321,388,009	10,831,946	(36,423)	161,147,935	(634,214)	(109,392,788)	(12,046,749)	389,257,716
Operations with members and owners (reports 1 and 9)									
Capital increase 25th April 2016	3,823,580	114,707,385	-	-	-	-	-	-	118,530,965
Capital increase 27th April 2016	3,356,590	100,697,708	-	-	-	-	-	-	104,054,298
Capital increase costs	-	(3,097,329)	-	-	-	-	-	-	(3,097,329)
Members' shares (incentives plan) (report 12(b))	-	-	-	-	9,971,463	-	-	-	9,971,463
Application of financial year losses									
To negative results from previous years	-	-	-	-	-	-	(12,046,749)	12,046,749	-
Income and expenses recognised	-	-	-	-	-	-	-	(10,792,151)	(10,792,151)
Balance on 31st December 2016	25,180,170	533,695,773	10,831,946	(36,423)	171,119,398	(634,214)	(121,439,537)	(10,792,151)	607,924,962
Application of financial year losses									
Negative results from previous years	-	-	-	-	-	-	(10,792,151)	10,792,151	-
Income and expenses recognised	-	-	-	-	-	-	-	10,143,245	10,143,245
Balance on 31st December 2017	25,180,170	533,695,773	10,831,946	(36,423)	171,119,398	(634,214)	(132,231,688)	10,143,245	618,068,207

TELEPIZZA GROUP, S.A.
Statements of Cash Flows for the financial years
ending on 31st December 2017 and 2016

(in euros)

	2017	2016
Cash flows from operating activities		
Results of the year before taxes	6,590,563	(24,242,446)
Adjustments to the result		
Amortisation	359	180
Financial income	(440,963)	(1,108,232)
Financial expenses	883	7,067,047
Employee expenses	-	9,971,463
Changes to the current capital		
Debtors and other accounts receivable	126,845	(762,757)
Creditors and other accounts payable	(1,104,301)	2,281,951
Other cash flows from operating activities		
Interest receivables	-	1,108,232
Payment of interests	-	(504,027)
Profit tax receivables	(3,486,451)	606,442
Total cash flows from operating activities	1,686,935	(5,582,147)
Cash flows from investments		
Payments for investments		
Tangible fixed assets	-	(1,436)
Group and associated companies	-	(87,725,748)
Other financial assets	-	(2,037,200)
Disinvestment receivables		
Group and associated companies	5,867,128	9,275,955
Cash flows from investments	5,867,128	(80,488,429)
Cash flows from financing activities		
Receivables and payables from equity instruments		
Capital increases	-	114,401,193
Receivables and payables from equity instruments Issue		
Debts with group and associated companies	-	2,022,941
Cancellation		
Debts with group and associated companies	-	(7,641,228)
Cash flows from financing activities	-	108,782,906
Net Increase of cash or cash equivalents	7,554,063	22,712,330
Cash or cash equivalents at the beginning of the year	22,713,334	1,004
Cash or cash equivalents at the end of the year	30,267,397	22,713,334

TELEPIZZA GROUP, S.A.
Annual Accounts Report
31st December 2017

(1) Nature, Activities of the Company and Composition of the Group

Telepizza Group S.A. (the Company) was created as a limited liability company in Spain on 11th May 2005 for an indefinite period of time, under the name Bahíaflora Inversiones, S.L. On 30th June 2005, its social name was changed to that of Foodco Pastries Spain, S.L. In accordance with the minutes of the decisions of the Sole Shareholder of 22nd January 2016, and published on 5th February 2016, it was agreed for the Company to become a limited company and new bylaws would be adapted for the new company's denomination. On 17th March 2016, its corporate name was updated to the current one. Likewise, since 27th April 2016, the assets of the Company are listed on the Stock Exchanges of Values of Madrid, Barcelona, Bilbao and Valencia. Its legal address is located at Calle Isla Graciosa, 7, in San Sebastian de los Reyes, Madrid**.**

Its corporate purpose consists in carrying out economic studies, promotion and sales of all kinds of products on its behalf or that of third parties. This includes door-to-door sales, imports and exports of all kind of products and raw materials, manufacturing, distribution and selling of human consumption products and the rental of machinery and equipment. The activities that are included in the corporate purpose may carried out totally or partially, directly or indirectly, by holding shares or assets in other societies that performing these in accordance with its corporate purpose in Spain and in foreign countries. The Company will not perform any activity whereby the laws require the compliance of special conditions or requirements without their fulfilment.

The main activity of the Company consists in the participation in Tele Pizza, S.A. and carry out services related to the corporative and strategic management on behalf of Tele Pizza, S.A.

As described in Note 7, the Company has the ownership of all the assets in the subsidiary company Tele Pizza, S.A. Therefore, the Company parent of a group of companies pursuant to current legislation. The presentation of the consolidated annual accounts is necessary according to the general accounting standards and principle, in order to give a faithful image of the financial conditions and the results of its operations, of any changes to the net equity and the group’s cash flows.

The Company Directors presented the consolidated annual accounts of Telepizza Group S.A. and subsidiary companies for financial year 2017 on 27th February 2018. These show a consolidated profit of 31,843 thousand euros and a consolidated net equity of 635,395 thousand euros (a consolidated profit of 10,691 thousand euros and a consolidated net equity of 607,059 thousand euros on 31st December 2016).

(Continued)

Going Public

On 27th April 2016, Telepizza Group S.A. shares were accepted for official listing on the Stock Exchange of Madrid, Barcelona, Valencia and Bilbao, with no restrictions for their free transmission. It went public in the following manner**:**

a) On 25th April 2016, the Company increased its capital to a total of 118,531 thousand euros by issuing 15,294,318 ordinary shares with a nominal value of 0.25 euros and an issue premium of 7.5 euros. The newly issued shares were offered by means of a Public Subscription Offer (see note 9) for 7.75 euros per share.

b) The Public Sales Offer of 55,673,423 shares represented 55% of the capital, sold at 7.75 euros each, amounted to 431,469 thousand euros.

The informative leaflet of the mentioned Subscription, Sales and Negotiation Admission Offer was approved by the National Stock Market Committee on 15th April 2016. Likewise, the capital increase was approved by the former Sole Administrator on 25th April 2016 and registered at the Company Register on 26th April 2016**.**

On 25th April 2016, the Company closed the petition of assets subscription period, and on 26th April 2016 it granted by public deeds of execution, ending the capital increase and awarding shares at the price of 7.75 euros per share, as stated in the offer. On 27th April 2016, new shares were admitted and negotiated**.**

As part of the procedure mentioned, Merrill Lynch International and UBS Limited were designated as the global coordination entities. Issuing expenses rose to 9,669 thousand euros, of which 4,130 thousand euros (without considering the taxation effect) belong to the Public Subscription Offer and, therefore, directly charged against net equity (see note 9(b)). The remaining 5,539 thousand euros belong to the Public Sales Offer and, thus, are registered in the profit and loss account (see note 12 (c)).

Finally, on 27th April 2016, as part of the process of going public, the Company cancelled its EUR104,054,298 financial debt mainly by increasing the capital by credit compensation (see notes 9 (a) and 10 (a)).

(2) Submission Bases

(a) Faithful image

The annual accounts have been created from the available accounting registries of Telepizza Group S.A., pursuant to the current companies act and the resolutions stipulated in the General Accounting Plan in order to give a faithful image of the equity and the financial situation up to 31st December 2017 as well as the results of its operations, the changes in its net equity and its cash flows for the financial year ended on that date.

The Company Directors presented these annual accounts on 27th February 2018 and believe that they will be approved by the General Shareholders' Meeting with no amendments.

(b) Information Comparison

For comparative reasons, the annual accounts, with each of the balance sheet items, the profit and loss account, the statement of changes in the net equity, the statement of cash flows and the report, and the numbers for financial year 2017 will be compared to those of the previous financial year, that were part of the annual accounts for financial year 2016 approved by the General Shareholders' Meeting on 22nd June 2017.

(c) Functional Currency and Presentation Currency

The annual accounts are presented in euros, rounded up to the closest unit, which is the functional and presentation currency of the Company.

(d) Critical Aspects in the Valuation and Calculation of the Uncertainties and Relevant Judgements in the Application of Accounting Policies

The preparation of annual accounts requires the application of relevant accounting calculations and the performance of judgements, calculations and hypothesis in order to apply the Company's accounting policies. In this sense, the aspects that have implied a higher degree of judgement, complexity or where the hypothesis and calculations are of importance for the preparation of the annual accounts, can be summarised as follows:

i. *Relevant Accounting Calculations and Hypothesis*

The Company performs an equity instruments deterioration test whenever there is reason to foresee the existence of such deterioration. The determination of the recoverable value of the investments in the Group's companies requires calculations by the Managers. The recoverable value is the highest between the value in use and the reasonable value minus the sales costs**.**

The Company generally uses cash flow discount methods to determine these values. The cash flow discount calculations are based on a 5-year forecast of the budgets approved by the Managers. Flows consider former experience and represent the best calculations of the Managers on the future evolution of the market. After the fifth year, the cash flows can be projected using individual growth rates. The key hypothesis to determine the reasonable value minus the sales costs and the value of use include growth rates, the average capital rate and the tax rates. Calculations, including the methodology used, can have an important impact on the values and the loss due to the deterioration of the value.

The Company has accepted deferred tax assets that correspond to credits from compensated losses and non-deductible interest expenses because the Directors consider their recovery is possible (See note 11). The determination of the recoverable value of the different tax assets mentioned requires calculations by the Managers. The calculations for its recovery are based on forecasts for the following year of the budgets approved by the Board of Directors and considers prior experience and represents the best estimate on the future evolution of the markets.

(Continued)

ii. Calculation Changes

In the same way, although the Company Managers' calculations were based on the best information available up to 31st December 2017, future events may require amendments in the coming years. The effect of amendments on the annual accounts that, where applicable, could be due to adjustments that must be performed during the coming financial years, would be registered progressively.

(3) Distribution of the Profit

The proposal for applying the profit in financial year 2017 amounting to 8,643,243 euros, prepared by the Board of Directors for the approval of the General Shareholders' Meeting, is the following:

	euros
Distribution bases	
Yearly profits	10,143,245
Distribution	
Voluntary reserves	3,773,500
Dividends	6,369,745
	10,143,245

The application of the 10,792,151 euros loss from 2016, approved by the General Shareholders' Meeting on 22nd June 2017, consisted in its full transfer to the negative results account from previous years.

(4) Registry rules and Valuation

(a) Tangible fixed assets

(i) Initial Recognition

The assets included in the tangible fixed assets are recorded at their purchase price. The tangible fixed assets are presented on the balance sheet by their value cost reduced by the price of the accumulated amortisations.

(ii) Amortisations

The amortisation of tangible fixed assets is carried out by dividing the depreciable amount systematically throughout its useful life. To this extent, depreciable amount is understood as the cost of purchase minus its residual value. The Company determines the amortisation expense independently for each component that has an important cost regarding the total cost of the element and a useful life which differs from the rest of the element.

The amortisation of the tangible fixed asset elements can be determined on a straight-line basis throughout the following estimated useful life of four years.

(Continued)

The Company reviews the residual value, useful life and depreciable method of the tangible fixed assets at the end of each financial year. Any amendments to the initially established criteria are accepted as a calculation change.

(b) Financial Instruments

(i) Classification and Separation of Financial Instruments

Financial instruments can be classified at the time of their initial recognition as a financial asset, financial liability or an equity instrument, by virtue of the economic fund of the agreement and the definitions of financial asset, financial liability or equity instrument.

The Company classifies the financial instruments into different categories depending on the features and intentions of the Management at the time of initial recognition.

(ii) Loans and Receivables

Loans and receivables are made up of commercial transaction credits and non-commercial transaction credits with fixed or determinable receivables that are not listed on the active market. These assets are initially recognisable by their reasonable value, including the transaction costs involved, and are later valued by the depreciable cost, by means of the effective interest rate method.

However, any financial asset without an established interest rate, an outdated value or expected in the short term and an insignificant update effect, is valued by its nominal value.

(iii) Investments in Group Companies

Group companies are defined as those which the Company, directly or indirectly, has control over through subsidiaries, according to the provisions of Article 42 of the Commercial Code. They may also be companies which are controlled through any means by one or more physical or legal persons who act together or those managed on a unified basis through agreements or articles of association.

Control is defined as the power to manage a company's financial and operating policies, in order to make a profit from its activities. It is therefore considered to be the potential, exercisable or convertible right to vote in the power of the Company or third parties on closure of the financial year.

Investments in group companies are initially recognised at cost, which is equivalent to the fair value of the consideration provided and later reduced by the accumulated amount of the impairment value adjustments. Investments in group companies acquired before 1st January 2010 include the acquisition cost and the incurred transaction costs.

(Continued)

If an investment does not meet the conditions to be classified in this category, it shall be re-classified in the investments available for the sale and valued as such from the date of re-classification.

(iv) *Interest and Dividends*

Interest is recognised by the method of the effective interest rate.

Dividend income from investments in equity instruments is recognised when the Company's right to receive payment is established.

(v) *Financial Asset Removals*

Financial assets are removed when the rights to receive cash flows related to them have expired or been transferred and the Company has substantially transferred the risks and profits deriving from their ownership.

The removal of a financial asset in its entirety implies recognition of the profits by the existing difference between their book value and the sum of the consideration received, and the net transaction expenses, including assets obtained or liabilities assumed, and any deferred profit or loss in the income and expenses recognised in net equity.

(vi) *Value Impairment of Financial Assets*

A financial asset or group of financial assets is impaired and causes an impairment loss if there is objective evidence of the impairment as a result of one or more events occurring after initial recognition of the asset. The event(s) causing the loss shall have an impact on the future estimated cash flows of the financial asset or group of financial assets, which can be reliably estimated.

The Company's policy is to record the appropriate valuation adjustments for impairment of loans and receivables, when there is a reduction or delay in the future estimated cash flows motivated by the debtor's insolvency.

Similarly, in the case of equity instruments, there is value impairment when there is a lack of recoverability of the value of the asset in the books due to a prolonged or significant decline in the fair value.

- *Value Impairment of Group Company Investments*

  The impairment calculation is defined as the profit of the comparison of the investment book value with the recoverable value, understood as the highest value in use or the fair value minus the sale costs.

  In this way, the value in use is calculated in terms of the Company participation in the current value of the estimated cash flows of ordinary activities and the final sale or the estimated flows which are expected to be received from the distribution of dividends and final sale of the investment.

  In later financial years, value impairment reversals are recognised, inasmuch there is an increase in recoverable value, with the book value limit which the investment would have if the value impairment had not been recognised.

(Continued)

The impairment loss or reversal is recognised in the profit and loss account, except in certain cases, when the net equity should be allocated, according to the provisions of the section on Investments in group companies.

The value correction through impairment of the investment value is limited to the value of the latter, except when this would have been assumed by the Company's contractual, legal or implicit obligations or if payments had been made in the name of the companies.

Losses through value impairment of the equity instruments valued at cost are not reversible, as they are directly recorded against the value of the asset.

(vii) *Financial Liabilities*

Financial liabilities, including commercial creditors and other accounts payable, are not classified as being held for negotiation or as fair value financial liabilities with changes to the profit and loss account, they are initially recognised by their fair value, minus, if necessary, the transaction costs which are directly attributable to their issue. After the initial recognition, liabilities classified under this category are valued at the amortized cost using the cash interest rate method.

However, financial liabilities with no established interest rate, which mature or are expected to be paid in the short term and the discount effect is not significant, are valued at their nominal value.

(viii) *Losses and Modifications of Financial Liabilities*

The Company removes a financial liability or part of this when the obligation contained in the liability is fulfilled or is legally exempt from the fundamental responsibility contained in the liability by virtue of a judicial process or by the creditor.

(c) Own Equity Instruments

Capital increases are recognised by their own income, as long as they are registered in the Companies Register before they appear in the annual accounts. Otherwise, they appear under the heading Short term debts on the balance sheet.

Transaction costs related to the Company's own equity instruments are recorded as a reduction in equity, once any tax effects have been considered.

(d) Cash and Other Equivalent Liquid Assets

Cash and other equivalent liquid assets include cash in hand and demand deposits in credit entities.

The Company presents the payments and charges from high turnover financial assets and liabilities by their net amount on the cash flow statement. To this effect, it is considered that there is a high turnover period when the period between the acquisition date and the expiry date does not exceed six months.

(Continued)

(e) Income from Service Provision

Income from service provision is recognised by the fair value of the received offsetting, or to be received deriving from the latter. Ordinary income is presented net of value added tax and any other type of tax.

Income from dividends arising from equity instruments are recognised whenever the Company has the right to receive them, as a net amount of the turnover.

(f) Profit Tax

Expenses or income from profit tax includes both the current and deferred tax.

Current tax profit assets and liabilities are valued by the quantities which are expected to be paid or recovered from the tax authorities, under current legislation and tax rates, approved or pending publication on the date of the close of the financial year.

Current or deferred profit tax is recognised in profits, except when a transaction or economic event has been recognised in the same or another financial year, against net equity or a business combination.

From 1st January 2007, the Company is the parent company of a tax group, in accordance with the Consolidated Taxation Status granted by the Tax Authorities. As of 31st December 2017, this group consists of Tele Pizza, S.A., Mixor, S.A., Circol, S.A., and Luxtor, S.A.

The cost accrued by Corporation Tax on companies with consolidated taxation status, in addition to the parameters to be considered in the case of the aforementioned individual taxation, is determined considering the following:

- The temporary and permanent differences occurring as a consequence of the elimination of profits from operations between Group companies, deriving from the determination process for the consolidated tax base.

- For deductions and bonuses corresponding to each company of the tax Group in consolidated taxation status, the deductions and bonuses shall be allocated to the company who carried out the activity or obtained the required performance to obtain the right to the deduction or tax bonus.

The temporary differences deriving from the elimination of profits between the companies of the fiscal group, are recognised in the company which has generated the profit and valued at the applicable tax rate.

In terms of negative tax profits from some of the Group companies which have been compensated by the rest of the companies of the consolidated Group, a reciprocal credit and debit shall occur between the appropriate companies and those which make the compensation. If there is a negative tax profit which cannot be compensated by the rest of the companies of the consolidated group, the compensated loss tax credits are recognised as deferred tax assets following the criteria established for their recognition, the tax group being considered as a taxable

(Continued)

entity.

The Company records the total amount to be returned by consolidated Corporation Tax in the Credits with group companies and associates, while the debt corresponding to subsidiary companies is recorded using Debts with group companies and associates.

(i) *Recognition of Taxable Temporary Differences*

The Company recognises deferred tax liabilities in all cases, except when there is initial recognition of good will or an asset or liability in a transaction which is not a business combination and on the date of the transaction not affecting the accounting profit or the tax assessment base.

(ii) *Recognition of Deductible Temporary Differences*

The Company recognises deferred tax assets, as long as it is probable that there are future sufficient tax gains for their compensation or when tax legislation contemplates the future conversion possibility of assets through deferred taxes in credit payable to the Public Administration.

However, the assets arising from initial recognition of the assets and liabilities in a transaction which is not a business combination and on the date of the transaction not affecting the accounting profit or the tax assessment base, shall not be the subject of the recognition.

Unless there is evidence to the contrary, it is not probable that the Company shall have future tax profits when it is anticipated that the future recovery will occur in a period longer than ten years from the date of the closure of the financial year, except when this is a deferred tax asset or if the credits derive from deductions or other tax advantages pending tax application due to a shortfall in tax, when there has been an activity or return obtained leading to the right to a deduction or bonus, or there is reasonable doubt over compliance with the requirements to make them effective.

The Company only recognises deferred tax assets deriving from compensable tax losses, when it is probable that they will obtain future tax gains allowing them to be compensating in a period no longer than that established by applicable tax legislation, with a maximum limit of ten years, except when there is proof that recovery is probable in a longer period, when the tax legislation allows them to be compensated in a longer period or does not establish temporary limits for their compensation.

In contrast, it is considered probable that the Company shall have sufficient tax earnings to recover deferred tax assets, as long as there is a temporary taxable difference in a sufficient quantity related to the same tax authority and referred to the same taxable entity, whose reversion is expected in the same financial year as the temporary deductible differences are expected to be reversed or in financial years when there is a tax loss, caused by a temporary deductible difference, which may be compensated with prior or subsequent profits.

(Continued)

The Company recognises deferred tax assets which have not been the subject of recognition due to exceeding the recovery period of ten years, so that the future reversion period does not exceed ten years from the date of closure of the financial year or when there is a sufficient amount of temporary taxable differences.

In order to determine the future tax earnings, the Company considers the opportunities for tax planning, as long as they have the intention to adopt them or it is likely they are going to be adopted.

(iii) *Valuation of Deferred Tax Assets and Liabilities*

Deferred tax assets and liabilities are valued at the tax rates that will be applicable in the financial years in which assets are expected to be carried out or the liabilities paid, through the regulations and rates that are in force, approved and pending publication and once the tax consequences deriving from the manner in which the Company intends to recover the assets or liquidate the liabilities are considered.

(iv) *Compensation and Classification*

The deferred tax assets and liabilities are recognised on the balance sheet as non-current assets and liabilities, independently of the expected completion or liquidation date.

(g) Classification of Assets and Liabilities as Current and Non-current

The Company presents the balance sheet classifying assets and liabilities as current and non-current. For this, the current assets and liabilities are those which meet the following criteria:

- Assets are classified as current when they are expected to be completed or try to be sold or consumed in the course of the normal operating cycle of the Company, they are fundamentally maintained for the purpose of negotiation, and are expected to be completed within a period of twelve months after the closure date or are cash or other equivalent liquid assets, except in certain cases when they cannot be exchanged or used to pay a liability, at least within the twelve months following the closure date.

- Liabilities are classified as current when they are expected to be liquidated in the normal operating cycle of the Company, are fundamentally held for negotiation, must be liquidated within a period of twelve months from the date of closure or the Company does not have the unconditional right to postpone payment of the liabilities during the twelve months following the date of closure.

- Financial liabilities are classified as current when they must be liquidated within the twelve months following the date of closure, although the original time period is for a period longer than twelve months and there is a refinancing or restructuring agreement for long term payments, which has been concluded after the date of closure and before the annual accounts have been formulated.

(Continued)

(h) The Environment

The Company carries out operations with the key purpose of preventing, reducing or repairing damage which may be caused to the environment as a result of their activities.

The costs deriving from environmental activities are recognised as Other operating expenses in the financial year where they are incurred.

(i) Transactions Among Group Companies

The transactions among group companies are recognised by the fair value of the delivered or received service. The difference between this value and the agreed amount is recorded in accordance with the underlying economic substance.

(5) Policy and Risk Management

The Company is exposed to various financial risks: credit risk, liquidity risk and interest rate risks in cash flows. The Company risk management programme is centred on the uncertainty of the financial markets and is about minimising the potential adverse effects on the Company's financial profitability.

Risk management is controlled by the Company's economic and financial department in accordance with the policies approved by the Board of Directors. This department identifies, evaluates and covers financial risks. The Board provides policies for risk management as well as specific materials such as the interest rate risk, liquidity risk and liquidity surplus investment.

(i) Interest Rate Risk

Variations in interest rates modify the fair value of those assets and liabilities accruing a fixed interest rate as well as future flows of assets and liabilities referencing a variable interest rate. As of 31st December 2017, the Company does not have any financial borrowing and therefore a high interest rate risk.

The objective of interest rate risk management is to reach a balance in the debt structure that allows for the cost of the debt to be minimised in the multi-year outlook with a reduced volatility in the profit and loss account. Therefore, exhaustive monitoring of the reference interest rates trend is essential for any substantial variation identified to be evaluated and result in the contracting, where applicable, of the optimum hedging allowing for the risks to be minimised, ensuring a fair interest rate.

The Company has decided not to contract hedging instruments as it has a large part of its financing at a fixed interest rate contracted with a variable part in terms of the Company income, so it has not been considered necessary to hedge these operations.

(Continued)

(ii) *Credit Risk*

The Company maintains the majority of its credit with group companies and, therefore, presents no relevant risk.

(iii) *Liquidity Risk*

The Company applies a careful liquidity risk management, based on the maintenance of sufficient cash and availability of financing through a sufficient amount of committed credit facilities. Given the dynamic nature of its underlying business, the Company's Economic and Financial Department has the objective of maintaining financing flexibility through availability of the credits granted by their sole shareholder.

The classification of financial assets and liabilities according to contractual maturity dates is shown in notes 8 and 10.

(6) Fixed assets

The composition and movement in the accounts included in the fixed assets are as follows:

	Other fixed assets
Cost on 31st December 2016 and 2017	1,436
Accumulated amortization on 1st January 2017	(180)
Inclusions	(359)
Accumulated amortization on 31st December 2017	(539)
Net accounting value on 31st December 2017	897

	Other fixed assets
Cost on 1st January 2016	-
Inclusions	1,436
Cost on 31st December 2016	1,436
Accumulated amortization on 1st January 2016	-
Inclusions	(180)
Accumulated amortization on 31st December 2016	(180)
Net accounting value on 31st December 2016	1,256

(Continued)

(7) Investments in Group Company Equity Instruments

The details of investments in group company equity instruments are as follows:

	Euros	
	Non-current	
	2017	2016
Group Companies		
Participations	519,291,428	519,291,428

Participations in group companies correspond fully to the participation in 100% of the capital of Tele Pizza S.A., with its registered office in Madrid. Tele Pizza S.A. is the head of a Group of companies (Telepizza Group), whose main activity consists of the management and operation of "Telepizza", "Pizza World" and "Jenos Pizza" shops for take away products and those consumed in the premises, which from 31st December 2017 and 2016 is developing through a franchised system mainly located in Spain, Portugal, Poland, Chile, Guatemala, Colombia, Peru and Ecuador.

During financial year 2017, Tele Pizza, S.A. distributed an interim dividend to the Company amounting to 7,500,000 euros (see notes 12 (a) and 14(b))

On 27th December 2016, the Company completed a capital increase in Tele Pizza S.A., for a total amount of 87,725,747.88 euros, through an increase in company capital for a sum of 8,580,000 euros through an increase in the nominal value of shares for 0.033 per share with an issue premium of 79,145,747.88 euros, with 0.3044 euros approximately for each existing share, through compensation of an existing credit on this date. This credit arose through the initial public offering process with the purpose of granting funds to Tele Pizza S.A. for repayment of a senior loan with an amount of 87,725,747.88 euros, as well as to cover operating expenses and determined incentives for personnel made by Telepizza, S.A. in the process of the Company's initial public offering and financial restructuring.

The recoverable amount of this participation is determined on the base of value in use calculations. These calculations use projections of cash flows based on financial budgets approved by the Senior Management of the parent Company covering a period of five years. The cash flows, further than a period of five years, are extrapolated using the specific growth rates of the sector which do not exceed the medium to long term growth base for the "home delivery" business in which the participant operates.

The hypothesis on the discount rates used in the calculations of value in use are as follows:

	2017	2016
Discount rate (WACC)	7.32%	7.00%
Permanent income growth rate (g)	2.32%	2.00%

(Continued)

In the budgeted period of 5 years, for calculation of the value in uses of the different groups of CGUs the Directors have considered as an operating business hypothesis some growth in the net amount of annual income without openings, nor acquisitions of new shops between 1% and 4%, according to the characteristics of each market and the inflation estimations. This growth in annual income amounts has a practically proportional impact on other operating business hypotheses, such as the net margin and EBITDA.

In the sensitivity analysis of the decreasing participation of group companies, considering some reasonably possible variations of between 100 and 50 basic points in the discount rate used, a variation of between 50 and 25 points in the permanent income growth rate and a variation of between 50 and 25 points in the business operating hypothesis, would not lead to a significant impact on the financial statements on 31st December 2017.

The information relating to the direct and indirect participations in the Tele Pizza Group on 31st December 2017 and 2016, is presented in the Appendix.

(8) Financial Assets by Categories

The classification of financial assets by categories and different classes of equity instruments in group companies in the long term, as well as the fair value coinciding with the book value is as follows:

	Euros			
	2017		2016	
	Non-current	Current	Non-current	Current
Loans and receivables				
Long-term investments in group and associated companies (note 14 (a))				
Credits	45,231,328	7,495,797	47,769,651	4,286,936
Debtors and other accounts receivable				
Sundry debtors	-	73,186	-	-
Group company clients	-	134,886	-	261,268
Total financial assets	45,231,328	7,703,869	47,769,651	4,548,204

The amount of net income through categories of financial assets in 2017 and 2016 corresponding to loans and receivables through credits and current accounts with companies from the group respectively amount to 440,963 euros and 1,108,195 euros (see note 14(b)).

(a) Financial Investments in Group and Associated Companies

The details on financial investments in group and associated companies are as follows:

(Continued)

	Euros			
	2017		2016	
	Non-current	Current	Non-current	Current
Group (note 14 (a))				
Credits	2,056,327	7,073,960	2,037,200	3,766,364
Current accounts with group companies	43,174,001	421,837	45,732,451	520,572
Total	45,231,328	7,495,797	47,769,651	4,286,936

During the 2016 financial year, the Company granted credits to the Directors and Senior Management amounting to 2,024,230 euros with maturity in 2021 and accruing the annual Euribor interest rate plus 1%. The interest accrued during 2017 and 2016 capitalised with the principal respectively amount to 19,127 euros and 12,970 euros.

Short-term credits include the corporation tax received from those subsidiary companies from the tax group headed by the Company and contributing accounts payable to the tax authorities on 31st December 2017 and 2016 (see note 11).

Current accounts with Group companies include the current account held with Tele Pizza S.A. which leads to a Euribor annual interest rate plus 1%. On 31st December 2016 a new contract has been executed with maturity in financial year 2019. The short-term current account with group companies includes the interest accrued from the aforementioned during financial year 2017 to be liquidated in January 2018.

(b) Commercial Debtors and Other Accounts Receivable

The details on commercial debtors and other accounts receivable are as follows:

	Euros	
	2017	2016
Group (note 14(a))		
Group company clients	134,886	261,268
Unrelated		
Debtors	73,186	-
Current tax assets	162,832	1,393,682
Other credits with Public Administrations (note 11)	471,400	545,049
Total	842,304	2,199,999

(9) Own Funds

The composition and movement of net equity is presented in the statement of changes in net equity.

(a) Capital

On 31st December 2017 and 2016, the share capital of Telepizza Group, S.A. was represented by 100,720,679 common shares represented by book entries, with a nominal value of each share at 0.25 euros, belonging to a single class and series. All the shares are subscribed, paid up and grant their holders the same political and economic rights.

On 17th March 2016, the single shareholder adopted the decision to reduce the nominal value of Company shares through a share split in the number of shares equalling 200 new shares for each old share, while modifying the company bylaws.

In the context of the initial public offering (see note 1) the following capital increase operations were carried out:

- On 25th April 2016, the previous Single Shareholder took the decision to increase the share capital by an amount of 3,823,579.50 euros through the issue and circulation of 15,294,318 ordinary company shares at a nominal value of 0.25 euros each, of the same class and series and with equal rights as the previously issued shares. These shares have been issued at an issue premium of 7.50 euros per share, implying a total issue premium of 114,707,385 euros. As a result, the total amount of the capital increase and issue premium increased to 118,530,964.50 euros (see note 1).

  In their capacity as Global Coordinating Entities of the subscription offer (see note 1), acting on behalf of the final awardees of the subscription offer shares, Merrill Lynch International and UBS Limited subscribed each of the 15,294,318 new ordinary shares for a value of 118,530,964.50 euros, with express waiver by Foodco Finance S.à.r.l of any preferential subscription right which may apply.

- On 27th April 2016, the previous Single Shareholder adopted the decision to increase the share capital by 3,356,590.25 euros, with an issue premium of 100,697,707.50 euros, through issue of 13,426,361 new participations with a nominal value of 0.25 each and with an issue premium of 7.50 euros each, pursuant to the agreement of the previous Single Shareholder on 27th April 2016. The participations were completely subscribed and paid up by Foodco Finance, S.à.r.l. through compensation of part of the subordinated loan maintaining this on 25th April 2016, for an amount of 104,054,297.70 euros (see notes 1 and 10 (a)).

As indicated in note 1 from 27th April 2016 the shares of the parent Company are listed in the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia. In accordance with the public information registered in the Spanish National Securities Market Commission, the members of the Board of Directors controlled approximately 0.546% of the share capital of the parent Company as of 31st December 2017.

The companies directly or indirectly participating in the share capital of the Company with a percentage equal to or above 10% were the following on 31st December 2017:

	Participation percentage

(Continued)

KKR Credit Advisors (US) LLC	20.24%

(b) Issue Premium

This is an unrestricted reserve as of 31st December 2017 and 2016. As mentioned in section a) of this note, during the 2016 financial year the Company capital has been increased on two occasions, increasing the issue premium by an amount of 215,405,092 euros.

During financial year 2016, the issue premium of the parent Company was reduced to 4,129,774 euros due to the capital increase expenses and those regarding advisers, mainly Merrill Lynch International and UBS Limited in their capacity as Global Coordinating Entities, regarding the Public Share Subscription Offer (see note 1).

(c) Legal Reserve

The Company is obliged, in accordance with Article 214 of the Law on Capital Companies, to allocate an amount equal to 10% of the profit of the financial year to this reserve until it reaches at least 20% of the share capital.

This cannot be distributed and must be replaced by future profits if used to compensate for losses, in the case that there are no other sufficient reserves available for this purpose.

The legal reserve of the Company was above the legal limit on 31st December 2016 and 2017.

(e) Shareholder Contributions

The monetary and non-monetary contributions received in 2014 correspond to a total amount of 157,615,105 euros and 3,615,885 euros, and the increase in share capital expenditure in financial years 2008, 2010, 2011, 2013 and 2014, net of the tax effect.

The increase in this section during the 2016 financial year corresponded to the recognition of 9,971 thousand euros in relation to the incentive plans related to the initial public offering that the then Single Shareholder approved prior to the initial public offering (see notes 1 and 12(b)).

(10) Financial Liabilities by Category

All the Company's financial liabilities correspond to the category of debits and items payable. The financial liabilities are valued at amortized cost or cost, the fair value being identical or similar to the book value on 31st December 2017 and 2016.

The amount of net losses for financial liabilities categories in 2017 corresponding to debits and items payable for debts amounted to 883 euros (7,063,020 euros in 2016).

(Continued)

(a) Debts with Group and Associated Companies

The detail of the debts with group and associated companies as of 31st December 2017 is as follows:

	Euros	
	Current	
	2017	2016
Debts with Group Companies (note 14 (a))		
Through taxes on Companies of the tax group (note 11)	2,326	221,753
Current accounts with group	23,492	2,022,941
Total	25,818	2,244,694

The debts with group companies include the corporation tax to be paid to those subsidiary companies of the tax group headed by the Company and which contribute payments receivable on 31st December 2017 and 2016.

The current accounts with the group on 31st December 2016, included the accounts payable the Company had with other group companies as a consequence of the initial public offering, for the payments that the previous Single Shareholder completed with the Company and which this, in turn, as the parent company, distributed among the subsidiaries.

(b) Commercial Creditors and Other Accounts Payable

The detail of the commercial creditors and other accounts payable is as follows:

	Euros	
	2017	2016
Commercial creditors	180,903	705,409
Group Company Creditors (note 14 (a))	153,576	1,217,395
Personnel	814,400	352,470
Other debts with Public Administrations (note 11)	115,249	93,155
Total	1,264,128	2,368,429

Information on the average supplier payment period. Third additional provision. "Duty of Information" in Law 15/2010 of 5th July."

The information on deferred payments made to suppliers is as follows:

(Continued)

	2017	2016
	Days	Days
Average supplier payment period	48	64
Ratio of paid operations	48	63
Ratio of operations pending payment	86	85
	Euros	Euros
Total completed payments	768,518	7,479,462
Total pending payments	4,017	171,667

(11) Tax situation

The details on the balances with Public Administrations in the 2017 and 2016 financial years are as follows:

	Euros			
	2017		2016	
	Non-current	Current	Non-current	Current
Assets (note 8 (b))				
Deferred tax assets	16,229,002	-	16,273,192	-
Consolidated corporation tax	-	157,967		1,393,682
Previous financial years	-	4,865	-	-
Value added tax	-	471,400	-	545,049
	16,229,002	634,232	16,273,192	1,938,731
Liabilities (note 10 (b))				
Social Security	-	5,052	-	3,415
Withholdings	-	110,197	-	89,740
	-	115,249	-	93,155

The company profits, determined in accordance with tax legislation, are subject to a tax that was of 25% on the taxable base in financial years 2017 and 2016. Certain deductions and bonuses may be determined on the resulting amount. As indicated in note 1, Telepizza Group S.A., as the parent company, is accepted together with certain companies that comply with the requirements of tax legislation, as part of the Consolidated Taxation Status.

The details on the credits and debits with subsidiary companies of the tax group regarding the tax effect generated by the consolidated taxation status in financial years 2017 and 2016 were the following:

(Continued)

	Euros	
	2017	2016
Debtors		
Credits through tax effect (note 8 (a))	7,073,960	3,766,364
Creditors		
Debts through tax effect (note 10 (a))	2,326	221,753

According to the current legislation, taxes cannot be considered to be definitively liquidated until the presented declarations are inspected by the tax authorities or until a limitation period of four years elapses. On 31st December 2017, the Company had all taxes applicable from 1st January 2013 open for inspection by the tax authorities.

Additional liabilities could arise as a consequence of the different possible interpretations of the current tax legislation. In any case, the Company Directors consider that these liabilities, should they occur, would not significantly affect the annual accounts.

Reconciliation between the net amount of the income and expenses in the tax year and the taxable base for the 2017 financial year for the purpose of Corporation Tax is detailed as follows:

	Profit and loss account			
	Increases	Reductions	Net	Total
Income and expenses balance for the financial year	10,143,245		10,143,245	10,143,245
Corporation tax		3,552,682	3,552,682	3,552,682
Profits before tax			6,590,561	6,590,563
Permanent differences:				
Dividends (note 12(a))		(7,500,000)	(7,500,000)	(7,500,000)
Insurance/Pension plans	23,687		23,687	23,687
Temporary differences;				
Financial expenses		(7,529,448)		(7,529,448)
Individual tax base				(8,415,198)
Tax bases contributed by group companies				40,193,115
Compensation for taxable bases of the tax group				(7,944,479)
Group taxable base				23,833,437
Full tax amount				
Deductions				5,958,359
Tax payable				(1,241,058)
				4,717,301
Payments on account and withholdings of the tax group				(4,875,267)
Tax payable pending recovery by the tax group				(157,967)

The temporary difference regarding financial expenses corresponds to the reversion of financial expenses not deductible in previous financial years.

(Continued)

Reconciliation between the net amount of the income and expenses in the tax year and the taxable base for financial year 2016 for the purpose of Corporation Tax is detailed as follows:

	Euros						
	Profit and loss account			Reserves			
	Increases	Reductions	Net	Increases	Reductions	Net	Total
Income and expenses balance for the financial year		(10,792,151)	(10,792,151)		(4,120,792)	(4,120,792)	(14,912,943)
Corporation tax		(13,450,295)	(13,450,295)				(13,450,295)
Losses before tax			(24,242,446)			(4,120,792)	(28,363,238)
Permanent differences:							
Financial expenses	6,479,812	-	6,479,812				6,479,812
Insurance/Pension plans	25,080	-	25,080				25,080
Individual tax base							(21,858,346)
Tax bases contributed by group companies							18,634,437
Group tax base							(3,223,908)
Full tax amount							-
Deductions							-
Tax payable							-
Payments on account and withholdings of the tax group							(1,393,790)
Tax payable pending recovery by the tax group							(1,393,790)

The permanent differences in financial year 2016 corresponded mainly to non-deductible interest.

The existing relationship between the expenses for profit and loss tax in financial years 2017 and 2016 is as follows:

	Euros	
	2017	2016
Profit and loss balance for the financial year before tax	6,590,563	(24,242,447)
25% Tax	1,647,641	(6,060,612)
Non-deductible costs		
Financial expenses and other	-	1,626,223
Dividends and other	(1,869,078)	-
Recognition of deferred tax assets	(3,321,367)	(9,813,931)
Other differences	(9,878)	798,025
Expenses for profit tax	(3,552,682)	(13,450,295)

Other differences correspond to those generated from the tax estimated in previous financial years 2017 and 2016 and that which is currently presented.

(Continued)

The details of profit tax expenses on 31st December 2017 and 2016 are as follows:

	Euros	
	2017	2016
Current tax		
For the financial year	(3,609,178)	(5,464,586)
For previous financial years	(9,878)	758,104
Deferred taxes		
Other	66,374	(8,743,813)
	(3,552,682)	(13,450,295)

On 28th November 2014, Law 27/2014 of 27th November was approved concerning Corporation tax and incorporating a new complete text on Corporation tax. This shall come into effect for tax periods starting from 1st January 2015. Among the amendments is the reduction in the general rate to 25% for 2016 onwards.

The negative taxable base compensation period of 18 years is eliminated and becomes unlimited.

In accordance with Royal Decree Law 3/2016 the compensation limits for negative tax bases has been amended to 25% of the tax base. However, negative tax bases may be compensated up to an amount of 1 million euros each financial year.

On 31st December 2017 and 2016, the amounts of the taxable bases corresponding to the Company, in accordance with the provisions of aforementioned Law 27/2014 are the following:

	Euros	
Year	2017	2016
2008	2,335,137	8,356,651
2009	6,306,192	6,306,192
2011	7,702,087	7,702,087
2014	248,206	248,206
2016	3,312,644	3,312,644
	19,904,266	25,925,780

On 31st December 2017 and 2016, the Company recognises the deferred tax assets relating to negative tax bases from the previous financial years amounting to 1,976,066 euros and 6,459,261 euros, respectively, as it is considered probable there will be future tax earnings allowing for the application of these assets.

(Continued)

On 31st December 2017 and 2016, the amounts for expenses regarding non-deductible interest pending application were as follows:

Year	Euros 2017	Euros 2016
2012	23,033,259	30,562,707
2013	22,466,796	22,466,796
2014	20,163,545	20,163,545
2015	12,868,580	12,868,580
2016	6,479,813	6,479,813
	85,011,993	92,541,441

On 31st December of financial years 2017 and 2016, due to the reduction in the debt of the Group, the Company recognised deferred tax assets relating to non-deducible interest from previous years amounting to 11,252,936 euros and 9,813,931 euros respectively, it being considered probable there will be future tax earnings allowing for the application of these assets.

(12) Income and Expenses

(a) Net Turnover

The composition of this section of the attached profit and loss account of the financial years ending on 31st December 2017 and 2016 is as follows:

	Euros 2017	Euros 2016
Dividends (note 7)	7,500,000	-
Services provided to Group companies	1,085,572	2,165,629
	8,585,572	2,165,629

Income from services provided to Group companies, corresponds to the provision of strategic advisory and innovation services that the Company carried out for different Group companies.

(b) Personnel Expenses

The composition of this section of the attached profit and loss account of financial years 2017 and 2016 is as follows:

	euros	
	2017	2016
Wages, salaries and similar expenses		
Wages and salaries	1,887,347	14,434,319
Social contributions		
Social Security charged to the Company	51,067	26,677
	1,938,414	14,460,996

On 31st March 2016 and 6th April 2016, the Company and a determined number of Group employees, formalised an incentive plan, through which they would receive a series of compensations in relation to shares of the Company and a bonus, which, would be accrued in the case of admission of the Company being admitted for listing and by means of restructuring of the Group's financial debt. The total compensation of this incentive plan depended on the fixed price in the Public Sale Offer and was paid by Foodco Finance, s.a.r.l. and by the Company.

This section of the profit and loss account on 31st December 2016 includes, mainly non-recurring costs corresponding to the value of shares delivered and other monetary bonuses, which the employees have received regarding the Public Sale and Subscription Offer for an amount of 12,975 thousand euros. Of the total aforementioned remunerations, an amount of 9,971 thousand euros has been directly paid by Foodco Finance, s.a.r.l and the Company has recorded a contribution from the shareholder for the same amount (see note 9 (e)).

(c) External Services

This section of the profit and loss account presents the following details:

	Euros	
	2017	2016
Leasing	83,376	-
Repairs and maintenance	15,945	13,169
Independent professional services	84,121	5,850,118
Insurance premiums	23,687	25,080
Advertising	7,904	-
Supplies	12,213	1,485
Other services	239,677	96,538
	466,923	5,986,390

(Continued)

This section of the profit and loss account for financial year 2016 mainly included non-recurrent advisory service expenses related to the Public Sale Offer amounting to 5,538,889 euros (see note 1).

(13) Environmental Information

No significant investments dedicated to the protection and improvement of the environment have been carried out during the financial year, nor have relevant expenses of this nature been incurred. Finally, environmental subsidies have not been received.

The Company Directors believe there are no significant contingencies regarding the protection and improvement of the environment, and do not consider it necessary to record any funding for the provision of risks and environmental costs on 31st December 2017 and 2016.

(14) Balances and Transactions with Related Parties

(a) Company Balances with Related Parties

The Company balances with related parties on 31st December 2017 and 2016 were the following:

	Euros	
	31.12.2017	31.12.2016
	Companies of the group	Companies of the group
Long-term investments in group companies		
Current accounts with the group and credits (note 8 (a))	45,231,328	47,769,651
Total non-current assets	45,231,328	47,769,651
Clients through sales and short-term service provision (note 8 (b))	134,886	261,268
Short-term investments in group companies		
Credit through tax effect (note 8 (a))	7,073,960	3,766,365
Current account interest	421,837	520,571
Total current assets	7,630,683	4,548,204
Total assets	52,862,001	52,317,855
Short-term debts with group companies		
Debt through tax effect (note 10 (a))	2,326	219,463
Current accounts group companies (note 10 (a))	23,492	2,022,941
Commercial creditors and other accounts payable		
Suppliers, group companies (note 10 (b))	153,576	1,217,395
Total current liabilities	179,394	3,459,799

(Continued)

	Euros	
	31.12.2017	31.12.2016
	Companies of the group	Companies of the group
Total liabilities	179,394	3,459,799

(b) Company Transactions with Related Parties

The amounts of Company transactions with related parties during financial year 2017 were as follows:

	Euros		
	Group companies	Other related parties	Total
Service provision	1,085,572	-	1,085,572
Credit interest (note 8)	440,963	-	440,963
Total income	1,526,535	-	1,526,535
Received services	82,376	410,461	492,837
Financial credit expenses	883	-	883
Total expenses	82,376	410,461	492,837

The amounts from Company transactions with related parties during financial year 2016 were as follows:

	Euros		
	Group companies	Other related parties	Total
Service provision	2,165,629	-	2,165,629
Credit interest (note 8)	1,108,195	-	1,108,195
Total income	3,273,824	-	3,273,824
Received services	(147,818)	(250,000)	(379,818)
Financial credit expenses	-	(7,063,020)	(7,063,030)
Total expenses	(147,818)	(7,449,901)	(7,597,719)

The financial expenses correspond to the interest accrued from participating and subordinate loans, granted by the previous Single Shareholder of the Company.

(c) Information relating to the Directors and Senior Management of the Company

The Company Directors received remunerations amounting to 1,275 thousand euros during financial year 2017, with the previous Directors having received remunerations of 9,169 thousand euros during 2016. Likewise, no obligations on behalf of them as guarantee or any contractual obligations regarding pensions have been assumed in relation to previous or current Company Directors.

On 31st December 2017 and 2016, the Company granted credits to members of the Board of Directors respectively amounting to 1,358 thousand euros and 1,345 thousand euros. Life insurance premiums paid in 2017 to the Directors amounted to 6 thousand euros (7 thousand euros during financial year 2016) and the contributions to a savings plan amounted to 136 thousand euros (120 thousand euros during financial year 2016).

The amount paid for liability insurance premiums for Directors rose to 24 thousand euros in 2017.

The members of Senior Management accrued remunerations amounting to 523 thousand euros during financial year 2017 and 4,757 thousand euros during financial year 2016. On 31st December 2017 the Company had granted credits to the Senior Management amounting to 698 thousand euros, without assuming any obligations on their behalf as a guarantee, or there being obligations contracted in terms of pensions. In addition, the savings plan contracted for Senior Management on 31st December 2017 amounted to 19 thousand euros (12 thousand euros in 2016). The insurance premiums for Senior Management paid in 2017 amounted to 2 thousand euros (1 thousand euros in 2016).

(d) Conflicts of Interest concerning the Directors

The Company Directors and persons related to them have not incurred any conflict of interest that would have required a communication in accordance with the provisions of Article 229 of the CTLCC.

(e) Transactions by Company Directors External to Ordinary Traffic or Under Conditions Other Than Market Ones

During financial years 2017 and 2016, neither the Company Directors or the members of the Senior Management or related parties carried out operations other than the ordinary traffic of the Company or under conditions other than market ones.

(15) Information on Employees

The average number of employees of the Company, broken down according to category, during financial years 2017 and 2016 was as follows:

	2017	2016
Senior Management	2	2
Other personnel	1	1
	3	3

All employees and Directors are men.

The Company had no employee with a disability higher or equal to 33% during financial years 2017 and 2016.

(Continued)

(16) Audit Fees

The company auditing the annual accounts of the Company, KPMG Auditores, S.L., accrued the following fees and expenses for professional services during the financial years ending on 31st December 2017 and 2016:

	Euros	
	2017	2016
For auditing services	88,437	80,850
For other accounting verification services	2,000	280,000
Total	90,437	360,850

The amount indicated in the table above includes all the fees relating to services provided during financial years 2017 and 2016, independently from the moment they were billed.

Other accounting verification services corresponded mainly to agreed procedure services regarding financial ratios provided by KPMG Auditores, S.L. to Telepizza Group, S.A. during the financial year ending on 31st December 2017. Other accounting verification services for financial year 2016 corresponded mainly to comfort letters regarding the Company going public.

The information relating to the different account auditing services provided by KPMG Auditores, S.L. to the companies controlled by Telepizza Group, S.A. during the financial year ending on 31st December 2017 is included in the consolidated annual accounts of Telepizza Group, S.A. and its subsidiary companies on 31st December 2017.

(17) Other Information

On the date of preparation of the annual accounts, the Company was in conversations with YUM! Brands, Inc. regarding the conditions under which it could run Pizza Hut shops in several markets, including Latin America, and other formulae for collaboration between the Telepizza and Pizza Hut brands. On the other hand, it is not considered YUM! Brands, Inc. will form part of the share capital of the Telepizza Group.

TELEPIZZA GROUP, S.A.

Information on Group and Associated Companies for the financial year ending on 31st December 2017

Appendix

Name	Address	Activity	Auditor	Shareholding % Dir	Ind	Total
Tele Pizza, S.A.	Madrid	Restaurants and shareholder	KPMG	100.00	-	100.00
Circol, S.A.	Madrid	Restaurants Restaurants		-	100.00	100.00
Grupo Telepizza Chile	Santiago de Chile	Restaurants	KPMG	-	100.00	100.00
Telepizza Portugal	Lisbon	Restaurants	KPMG	-	100.00	100.00
Telepizza Poland Sp. Z o.o.	Warsaw	Restaurants	KPMG	-	100.00	100.00
Telepizza Maroc, S.A. (in liquidation)	Casablanca	Inactive		-	100.00	100.00
Telepizza Guatemala	Guatemala	Restaurants		-	100.00	100.00
Luxtor, S.A.	Madrid	Commercialisation, manufacture of dairy products	KPMG	-	100.00	100.00
Cozicharme, Lda.	Lisbon	Shareholder		-	100.00	100.00
Bazigual SGPS, Lda.	Lisbon	Shareholder		-	100.00	100.00
Inverjenos SAS	Bogota	Restaurants	KPMG	-	100.00	100.00
Telepizza Andina S.A.C	Lima	Restaurants	-	-	100.00	100.00
Telepizza Shanghai CO.LTD	Shanghai	Restaurants		-	100.00	100.00
Telepizza Ecuador, S.A	Quito	Restaurants		-	100.00	100.00
Foodco Pastries Maroc	Morocco	Restaurants		-	100.00	100.00
Foodco Pastries Panamá	Panama	Restaurants		-	100.00	100.00
Telepizza Switzerland, GmbH	Switzerland	Restaurants		-	100.00	100.00
Compañía de Negocios de Paraguay, S.A.	Paraguay	Restaurants		-	51.00	51.00
Fortys Pizza SRO	Czech Republic	Restaurants		-	80.00	80.00
The Good Food Company Ltd.	Ireland	Restaurants		-	51.00	51.00
Mooncharm Limited	Ireland	Restaurants		-	51.00	51.00

This appendix forms an integral part of note 7 of the annual accounts report for financial year 2017 and should be read with such report.

TELEPIZZA GROUP, S.A.

Information on Group and Associated Companies for the financial year ending on 31st December 2017

Name	Address	Activity	Auditor	Shareholding % Add	Ind	Total
Tele Pizza, S.A.	Madrid	Restaurants and shareholder	KPMG	100.00	-	100.00
Circol, S.A.	Madrid	Restaurants		-	100.00	100.00
Grupo Telepizza Chile	Santiago de Chile	Restaurants	KPMG	-	100.00	100.00
Telepizza Portugal	Lisbon	Restaurants	KPMG	-	100.00	100.00
Telepizza Poland Sp. Z o.o.	Warsaw	Restaurants	KPMG	-	100.00	100.00
Telepizza Maroc, S.A. (in liquidation)	Casablanca	Inactive		-	100.00	100.00
Telepizza Guatemala	Guatemala	Restaurants		-	100.00	100.00
Luxtor, S.A.	Madrid	Commercialisation, manufacture of dairy products	KPMG	-	100.00	100.00
Cozicharme, Lda.	Lisbon	Shareholder		-	100.00	100.00
Bazigual SGPS, Lda.	Lisbon	Shareholder		-	100.00	100.00
Inverjenos SAS	Bogota	Restaurants	KPMG	-	100.00	100.00
Telepizza Andina S.A.C	Lima	Restaurants		-	100.00	100.00
Telepizza Shanghai CO.LTD	Shanghai	Restaurants		-	100.00	100.00
Telepizza Ecuador, S.A	Quito	Restaurants		-	100.00	100.00
Foodco Pastries Maroc	Morocco	Restaurants		-	100.00	100.00
Foodco Pastries Panamá	Panama	Restaurants		-	100.00	100.00
Telepizza Switzerland, GmbH	Switzerland	Restaurants		-	100.00	100.00

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TELEPIZZA GROUP, S.A.

Information on Group and Associated Companies for the financial year ending on 31st December 2017

(in euros)

			Profits from the financial year					
Name	Capital	Reserves	Continued	Interrupted	Total	Total Own funds	Net Shareholding Book value	Dividends Received 2017
Tele Pizza, S.A.	16,380,000	73,990,756	11,723,112	-	11,723,112	94,474,053	519,291,428	7,500,000
Mixor, S.A.	3,215,350	3,762,834	21,854	-	21,854	7,000,038	-	-
Circol, S.A.	1,084,640	293,758	517,858	-	517,858	1,896,256	-	-
Grupo Telepizza Chile	3,064,926	56,456,105	1,199,537	-	1,199,537	59,521,031	-	-
Telepizza Poland Sp. Z o.o.	9,319,015	(8,614,255)	(164,335)	-	(164,335)	540,425	-	-
Telepizza Maroc, S.A.	58,671	(764,937)	-	-	-	(706,266)	-	-
Telepizza Guatemala	370,042	637,207	426,355	-	426,355	1,433,603	-	-
Luxtor, S.A.	6,127,640	(10,096,716)	12,302,520	-	12,302,520	8,333,444	-	-
Bazigual SGPS, Lda	5,000	1,165,863	(6,377)	-	(6,377)	1,164,486	-	-
Inverjenos	1,543,386	4,665,276	(1,816,598)	-	(1,816,598)	4,392,064	-	-
TP Ecuador S.A.	3,111,640	(1,357,692)	(738,486)	-	(738,486)	1,015,462	-	-
TP Shanghai CO.LTD	99,861	(333,848)	(15,070)	-	(15,070)	(249,057)	-	-
Foodco Pastries Maroc	26,731	(94,729)	(127,896)	-	-	(195,894)	-	-
Foodco Pastries Panama	8,336	(29,705)	(295,923)	-	(295,923)	(317,292)	-	-
Telepizza Switzerland	17,110	(4,659)	(998,872)	-	(998,872)	(986,421)	-	-
Compañía de Negocios de Paraguay, S.A.	580,712	3,527	(152,017)	-	(152,017)	432,222	-	-
Fortys Pizza SRO	7,835	95,969	(435,135)		(435,135)	(331,331)	-	-
Mooncharm Limited	100	-	-	-	-	100	-	-
The Good Food Company Ltd	1,255,835	-	-	-	-	1,255,835	-	-

This appendix forms an integral part of note 7 of the annual accounts report for financial year 2017 and should be read with such report.

TELEPIZZA GROUP, S.A.

Information on Group and Associated Companies for the financial year ending on 31st December 2017

(in euros)

Name	Capital	Reserves	Profits from the financial year: Continued	Profits from the financial year: Interrupted	Total	Total Own funds	Net Shareholding Book value
Tele Pizza, S.A.	16,380,000	101,253,346	(29,468,532)	-	(29,468,532)	88,164,814	519,291,428
Circol, S.A.	1,084,640	3,458,860	434,898	-	434,898	4,978,398	
Grupo Telepizza Chile	3,064,926	56,653,194	4,012,210	-	4,012,210	63,730,330	
Telepizza Portugal	1,900,000	18,997,208	5,143,070	-	5,143,070	26,040,278	
Telepizza Poland Sp. Z o.o.	9,319,015	(11,693,309)	(1,437,540)	-	(1,437,540)	(3,811,834)	
Telepizza Maroc, S.A. (in liquidation)	58,671	(802,633)	-	-	-	(743,962)	
Telepizza Guatemala	632	253,968	508,293	-	508,293	762,893	
Luxtor, S.A.	6,127,640	12,728,274	10,867,589	-	10,867,589	29,723,503	
Procusto	3,000	(344)	(1,422)	-	(1,422)	1,234	
Cozicharme, Lda.	5,000	-	(5,516,010)	-	(5,516,010)	(5,511,010)	
Bazigual SGPS, Lda	5,000	1,168,903	(3,040)	-	(3,040)	1,170,863	
Inverjenos	1,511,463	4,191,248	(2,453,464)	-	(2,453,464)	3,249,247	
TP Andina S.A.C	9,705,627	(3,154,906)	(452,356)	-	(452,356)	6,098,365	
TP Ecuador S.A.	2,278,029	(785,890)	(481,768)	-	(481,768)	1,010,371	
TP Shanghai CO.LTD	99,861	(217,389)	5,807	-	5,807	(111,721)	
Mixor, S.A.	3,215,350	3,771,358	(8,524)	-	(8,524)	6,978,184	
Circol, S.A.	1,084,640	3,458,860	434,898	-	434,898	4,978,398	
Foodco Maroc	28,158	(1,768)	(101,468)	-	(101,468)	(75,078)	
Foodco Panamá	9,487	(292)	(54,539)	-	(54,539)	(45,344)	
Telepizza Switzerland, GmbH	18,624	-	-	-	-	18,624	

This appendix forms an integral part of note 7 of the annual accounts report for financial year 2017 and should be read with such report.

English translation only for information purposes

TELEPIZZA GROUP, S.A.

Management Report

31st December 2017

1. Company Status and Business Development

The Company obtained profits amounting to 10,143,245 euros during 2017, mainly as a result of the dividends received from Tele Pizza, S.A.

2. Foreseeable Development

The Company does not foresee specific changes worth stating with regard to the short-term development of its activities.

3. R&D&I

The Company has performed no activity related to research and development during financial year 2017.

4. Own Shares

On 31st December 2017, the Company does not hold own shares or the rights on these and, therefore, there are no political or economic rights form own shares.

5. Derivative Financial Instruments

The Company has not contracted any derivative financial instrument.

6. Risks and Uncertainties

The Company is exposed to several financial risks: credit risk, liquidity risk and interest rate risks in cash flows. The risk management programme of the Company is centred on the uncertainty of the financial markets and attempts to minimise the potential adverse effects on the financial profitability of the Company.

7. Average Payment Period

The average payment period is 48 days.

8. Information on Employees

The Company has 3 employees.

ACT OF SIGNATURE

At a meeting on 27th February 2018 and in compliance with the requirements established by Article 253.2 of the Consolidated Text of the Law on Capital Companies (CTLCC) and Article 37 of the Spanish Commercial Code, the Board of Directors of the Company Telepizza Group S.A. formulated the annual accounts and management report of the financial year from 1st January 2017 to 31st December 2017. The annual accounts comprise the attached documents preceding this writ.

In compliance with the provisions of Article 253.2 of the CTLCC each and every one of the members of the Board of Directors signs this below:

Pablo Juantegui Azpilicueta President- Managing Director	Mark Brown Director
[SIGNATURE]	[SIGNATURE]
Alejo Vidal Quadras de Caralt Director	John Derkach Director
[SIGNATURE]	[SIGNATURE]
Luis Daniel Sanz Suárez Director	Javier Gaspar Pardo de Andrade Director- Secretary
[SIGNATURE]	[SIGNATURE]
Juan Riva de Aldama Director	Marcos de Quinto Romero Director
[SIGNATURE]	[SIGNATURE]

I, Javier Gaspar Pardo de Andrade as Secretary of the Board of Directors, certify the authenticity of the signatures above as being from the persons whose names appear, and that they are members of the Company Board of Directors.

[SIGNATURE]